FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,498 — Wednesday December 12 1984 — D 8523 B

U.S.: Mr Regan's explosive tax reform plan, Page 12

NEWS SUMMARY

GENERAL

UK fog crashes kill at least 10

At least 10 people were killed in one of Britain's worst motorway crashes when 22 cars and lorries collided in fog at Godstone, Surrey, south of London. Many of the victims were burned to death in their vehicles when a petrol tanker exploded.

Fog which blanketed much of the South-east of England led to the closure of five motorways. In north London two underground trains collided, killing a driver and injuring six passengers.

Rebels call truce

El Salvador's left-wing guerrillas are to call a unilateral truce at Christmas, despite the impasse in peace talks with the U.S.-backed Government of President José Napoleon Duarte last month. The rebels will suspend all military action for four days from December 23 and for four days from December 31.

U.S. accuses Iran

The White House accused Iran of actions that encouraged the hijackers of a Kuwait airliner who murdered two U.S. officials during a six-day siege at Tehran airport. It called on Iran to prosecute the hijackers or extradite them to Kuwait.

Chile bombing

A bomb exploded in the Santiago Stock Exchange, injuring 18 people, three seriously, a government spokesman said.

Death sentence

The captain of a Spanish tanker has been sentenced to death by a Nigerian court on charges of trafficking in oil after he was found guilty of buying fuel from trawlers in Nigerian waters at below official market prices.

Basque protest

Workers set up burning barricades on roads around Bilbao during a one-day general strike in the region to protest against government plans to cut jobs in local shipyards.

Nato attack claim

A Belgian Marxist group, the Fighting Communist Cells, claimed responsibility for six explosions which hit Nato fuel pipelines in Belgium. The bombs caused fires and damage to the network which supplies Nato's front-line troops in West Germany. No one was hurt.

Cuba—U.S. deal

Cuba and the U.S. are close to agreement on the repatriation of 2,500 Cuban criminals and mental patients who fled to the U.S. in 1980, Administration officials in Washington said.

East-West appeal

Bonn's Minister for Inter-German Relations appealed to East Berlin for the release to the West of an estimated 70 East Germans camped in the West German embassy in Prague since October.

Briefly...

Norway said it would press for an international trade boycott against South Africa.

President Reagan will visit Canada in March, Canadian Prime Minister Brian Mulroney, said.

Ethiopia could face another famine next year without 800,000 tonnes of extra food aid, a UN official said.

Financial Times

We apologise for any typographical errors in this edition resulting from action by the National Graphical Association and Sogat members in the FT reading room in London.

BUSINESS

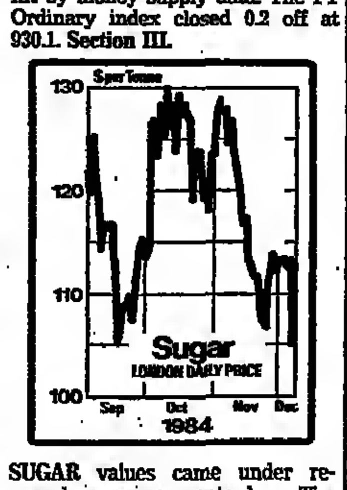
Salen set for crucial meeting

SALENINVEST, Sweden's leading shipping group which is fighting to stave off financial collapse, is expected to have operating losses in excess of SKr 800m ($90.8m) before ship and other asset sales, according to new estimates. The group's board is to meet today to consider the results of a second control audit. Page 17

WALL STREET: The Dow Jones industrial average closed up 8.07 to 1,178.33. Section III

TOKYO stocks recovered some of an early fall, but the Nikkei-Dow market average was still 68.04 lower at 11,250.83. Section III

LONDON gilts and equities were hit by money supply data. The FT Ordinary index closed 0.2 off at 930.1. Section III.



SUGAR values came under renewed pressure yesterday. The London daily raw sugar price was fixed $8.5 lower at $105 a tonne, reflecting Monday's sharp fall in futures values, while on the futures market nearby values lost another couple of dollars. Page 34

DOLLAR weakened in London to DM 3.0870 (DM 3.0920), FFr 9.4650 (FFr 9.4725) and SwFr 2.5510 (SwFr 2.5525) but edged up to Y246.90 (Y246.75). Its exchange index on Bank of England figures was 142.5 (142.6). In New York it was DM 3.091, SwFr 2.557, FFr 9.4775, Y247.15. Page 35

STERLING lost ground in London, easing 45 points to $1.1985. It was also lower at DM 3.70 (DM 3.72), FFr 11.3225 (FFr 11.39), SwFr 3.0575 (SwFr 3.07) and Y296 (Y297). Its exchange index was 74.7 (74.8). In New York it was $1.1995. Page 35

GOLD finished unchanged in London at $326.75. It closed in Zurich at $326.55. In New York the Comex February settlement price was $329.3. Page 34

HONG KONG has lost an estimated HK$13bn ($1.6bn) in funds under management as a result of a tax change unveiled in last spring's budget. Local businessmen claim the move has undermined the colony's status as a leading financial centre. Page 16

BRAZIL will fail by a wide margin to reach the key money supply targets set by the International Monetary Fund under the terms of its current letter of intent, now undergoing revision. Page 4

INTERNATIONAL PAPER of the U.S., the world's largest paper producer, said it would take a pre-tax charge of about $150m in the fourth quarter, mainly to cover anticipated losses from the sale or closure of some wood products manufacturing facilities.

LUFTHANSA, the state-controlled West German airline, plans to invest DM 550m ($183m) between 1985 and 1991 on improving and expanding cargo operations. Page 15

BRITISH PACIFIC BUILDING, the Vancouver-based property investment company, is to be sold. The company is expected to raise C$100m ($75.7m). Page 15

ICI AUSTRALIA improved net earnings to A$84.7m ($54.8m) from A$24.07m for the year to September 30. Sales were 11.7 per cent higher. Page 16

French and UK telecom chiefs row over co-operation

BY GUY DE JONQUIERES IN LONDON

FRENCH and British telecommunications officials clashed yesterday over the prospects for European collaboration.

M Jacques Dandoux, director-general of the French state telecommunications administration, rebuked Britain for dragging its heels on proposals for closer EEC co-operation. He was speaking at the Financial Times World Telecommunications Conference in London.

M Dandoux said he was astonished that British Telecom had included no EEC manufacturers among the companies which it had recently invited to bid to supply alternatives to the System X digital telephone exchanges made by Plessey and GEC.

This was despite strong French efforts in the past 18 months to get BT to agree to reciprocal public exchange purchases. France had originally hoped to persuade BT to buy E 10 exchanges from its main manufacturer, Cit Alcatel.

"Does the UK have a sort of insular hesitation to co-operate with the Germans, Italians or French? M Dandoux asked. "Or is it simply that British Telecom's productivity is not equal to that of other leading European network operators and that this would be revealed by use of our equipment and methods?"

Sir George Jefferson, BT's chairman, said that the organisation had not asked any EEC-based supplier to bid for exchange orders because none had met its technical and price criteria. This was "a source of great disappointment," he said.

Telecommunications policies in the UK and the rest of Europe had failed to produce internationally competitive supplier industries. Instead, many telecommunications manufacturers had become introspective and non-risk tacking captives of monopoly purchasers.

The three companies on BT's short list are Northern Telecom of Canada; ATT-Phillips, a joint venture between American Telephone & Telegraph and Phillips of the Netherlands, and Thorne Ericsson, jointly owned by thorn EMI and Sweden's LM Ericsson.

M Dandoux said that France had recently reached bilateral agreements in telecommunications with West Germany and Italy. "Our friends in British Telecom tell us that the UK is different from other EEC countries," he said. "All I can say is that we do not know how to deal with this "special" country and that all sorts of questions cross our minds."

Sir George said that as a privately owned company operating in a liberalised home market, BT faced commercial pressures more directly than telecommunications monopolies in other European countries.

Although it would be natural for British companies to seek to expand in Europe, restrictive national policies made this difficult. He doubted that rapid progress could be made towards creating a truly open European market able to support an internationally competitive industry.

BT would continue to work for closer European collaboration, however, and would seek to ensure that it was based on "commercially realistic" policies.

British banks to open up clearing system

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BRITAIN'S 10 leading commercial banks have decided to broaden membership and control of the UK payments clearing system.

A report published by the banks yesterday also urges that the clearing system be restructured to take account of electronic banking which is steadily replacing paper-based methods.

The restructuring is the largest of its kind in the 200-year history of UK clearing.

The UK system has been criticised as a bank monopoly for some time. The report, which has been 10 months in preparation, was widely hailed as a welcome step towards greater openness.

The report also recommends that the long-pending applications of Citibank of the U.S. and Standard Chartered be approved, and the banks admitted as soon as possible. Citibank would thus become the first foreign-owned UK clearing bank.

Clearing is the means by which banks transmit and settle payments with each other, mostly with cheques and credit instructions. To a growing extent, however, this is being done electronically through the Bankers' Automated Clearing Services (Bacs) and the Clearing House Automated Payment System (Chaps).

Clearing is done by the 10 clearing banks with others using them as agents for a fee. The report's main recommendations are:

- The establishment of three limited companies (with provision for more as needed) to handle the main paper, bulk and alectronic clearing functions. Any institution accounting for more than ½ per cent of the clearing volume of a company would be eligible to join it, subject to other conditions like Bank of England approval and readiness to abide by the rules and pay costs.
- The creation of an umbrella body to which all company members would belong, as well as an associate membership of all financial institutions using the clearing system through the agency of a full member. The report estimates that as many as 400 banks and building societies (home loan societies) could join.

The changes will be implemented next year.

Mr Denis Child, the deputy group chief executive of National Westminster Bank, who chaired the working party which prepared the report, said: "We believe that we have come up with a robust solution to a complicated series of questions, and are creating a flexible structure that will remain effective in the light of future changes in membership, in clearing systems, in banking technology and in the payments industry as a whole."

Details, Page 9

British money supply surges

By Philip Stephens in London

THE most closely watched measure of Britain's money supply, sterling M3, surged by 2.75 per cent last month, pushing its annual growth rate well above the Conservative Government's target range.

The Treasury and Bank of England, however, were last night seeking to play down the significance of the unexpectedly sharp rise, which they said was partly attributable to the rapid build-up of funds ahead of the British Telecom issue.

It represented the largest monthly increase since the abolition of credit controls on the banks in July 1980, and took sterling M3's annual growth since February to 12.25 per cent compared with the official target range of 6 to 10 per cent.

British Government officials made it clear yesterday that the "distortions" caused by the run-up to the BT offer meant that there was no justification for a rise in interest rates to dampen the demand for money.

The Bank of England took the unusual step of releasing an official commentary which said the figure "was almost certainly erratically high."

Statistics from the clearing banks showed a rapid build-up of deposits – particularly wholesale sight deposits – just ahead of the BT issue, which in turn coincided with the end of the banking month on which the money supply figures are based.

It was also being pointed out in Whitehall that the annual growth rate of the narrow money measure, Mo, which was unaffected by the BT sale, is at 6¼ per cent, well within its 4 to 8 per cent target range.

The view that the sterling M3 figure was distorted was shared by most economists in UK financial institutions, but the scale of the rise none the less caused some unease over the underlying trend of the money supply.

In particular, concern focused on the level of the public sector borrowing requirement, which at £2.6bn ($3.12bn) was far higher than most forecasts and prompted speculation that government spending was running well ahead of its target.

That fear, coupled with the apparent buoyancy of credit demand, has dashed any remaining hopes in London of a further cut in interest rates before the end of the year.

Yesterday government securities

Continued on Page 14

Lex, Page 14; Money markets, Page 35

Carbide 'did not know of plant details'

BY PAUL TAYLOR IN INSTITUTE, WEST VIRGINIA, JOHN ELLIOTT IN BHOPAL, INDIA, AND TERRY DODSWORTH IN NEW YORK

UNION CARBIDE, the embattled U.S. chemicals group, said yesterday that it had no direct involvement in the detailed design or construction of the Bhopal plant in India, where more than 2,000 people died last week in the worst-ever industrial disaster.

Company officials, facing a barrage of reporters' questions at Union Carbide's plant in Institute, West Virginia – the only other Union Carbide facility which manufactures methyl isocyanate (MIC) – revealed what was seen as a startling lack of knowledge about the Bhopal plant, which is run by Union Carbide India, a 50.9 per cent subsidiary of the U.S. parent group.

Union Carbide also said:

- Its involvement in the design of the Bhopal plant was confined to supplying general process safety standards to the Indian subsidiary.
- The Indian subsidiary was responsible for the detailed design of the Bhopal MIC unit, the selection of equipment, and the plant's construction.
- Union Carbide U.S. does not have any detailed plan of the Bhopal plant.
- The U.S. group does not know what specific safety features and equipment were operating at Bhopal at the time of the disaster.

In Bhopal, however, senior Indian executives of Union Carbide said U.S. scientists and technicians played a leading role in setting up and running the Bhopal plant through the 1970s and Mr Warren Woomer, an executive from the U.S. parent company, was in charge of the operation until he returned to the U.S. at the end of 1982.

He was the last executive from the parent company to be stationed at the plant but up to then there had been batches of 10 to 12 technicians and managers living in Bhopal for periods averaging three months, it was said.

Losses of between $4m and $5m have been made on an annual turnover of $15m in the last couple of years by the pesticides plant in Bhopal, the Indian executives said.

It has also become clear that management and labour problems developed at the plant in the wake of the losses. Low morale and shutdowns of production meant the plant was not being operated in the same way as Union Carbide's U.S. plant.

Production of MIC was halted on October 22 because of a decline in orders for pesticides. Production was not expected to restart until next April and many of the 650-strong workforce, which was being trimmed, had little work to do.

The French Government yesterday ordered a Union Carbide subsidiary to halt shipments of MIC to France. Société la Littorale was told by Mme Huguette Bouchardean, French Environment Minister, to accept no more deliveries until a safety study had been made. A cargo of the poisonous gas is due to arrive tonight in a port near Marseilles, but La Littorale has been asked to arrange for it to be sent on.

An escape gas flare had been turned off because production had halted, and so could not be used to burn off some of the gas which poured down on nearby homes for 45 minutes.

Union Carbide's comment in West Virginia yesterday appeared to represent an effort by the U.S. parent group to distance itself from its Indian subsidiary, which officials consistently referred to as an "affiliate."

Mr Jackson Browning, Union Carbide's corporate director in charge of health safety and environmental affairs, said: "The company does not have the design plans of the Bhopal plant."

These plans, he said, were still inside the plant and one of the tasks of the Union Carbide team of technical experts sent to Bhopal last week would be to establish exactly what equipment was installed at the time of the disaster.

Mr Browning added, however that "the essential features there to respond to process safety standards, we have been led to believe, were in place."

Mr Browning said the U.S. group, which has manufactured MIC at its West Virginia plant for 17 years, supplied basic safety standards for the manufacturing process at Bhopal. But he added: "Responsibility for the detailed design is that of the Indian affiliate.

"My understanding is that the design was executed in India and the choice of pumping and piping origination and things of that sort were made there, all of them designed to respond to the process safety standards we had told them were necessary."

He admitted, however, that Union Carbide was "available for consultation" during the design and construction of the plant and said that "a large number of Americans" were present on the site and did become involved in the plant's operation when it was started up and before it was handed over to the Indian company.

Continued on Page 14

Sprinkel sees $ remaining strong

BY DAVID MARSH IN PARIS

THE U.S. expects no significant weakness in the dollar in spite of prospects that the current account deficit will increase from a record $100bn by $10bn – $20bn next year. Mr Beryl Sprinkel, Under-Secretary for Monetary Affairs at the U.S. Treasury, said in Paris last night.

Declaring that "gloomsayers" forecasting a dollar slump had been wrong in the past and would be "wrong in the future too." Mr Sprinkal said there were signs that upward pressure on the currency could slacken and it could drift down as economic growth in other countries picked up. He said, however, that there were no contingency plans for checking any possible sharp decline in the dollar.

Mr Sprinkel, in Paris for international monetary meetings at the Organisation for Economic Co-operation and Development (OECD) this week, said the second Reagan Administration would maintain commitment to anti-inflationary policies while redonbling efforts to cut growth in budget spending.

He said the main factors boosting the visible trade deficit – $115bn this year and also likely to increase by $10bn to $20bn next year – were the U.S. growth differential this year, cuts in Latin American imports, and the effects on competitiveness of the strong dollar.

He said he was confident that the deficit could continue to be financed by continuing capital inflows seeking investment opportunities

The Reagan Administration was ready to accept some short-term slowdown in economic growth as the price for further cuts in government spending designed to reduce the federal 5 per cent deficit. At present this is 5 per cent of GNP, and is planned to fall to 4 per cent in fiscal year 1986, 3 per cent in 1987 and 2 per cent in fiscal 1988.

A meeting of the Group of Ten deputies, of which Mr Sprinkel is the U.S. representative, this week would be continuing work on a report aiming to improve the international monetary system. This was commissioned at the Williamsburg summit last year, and is due to be remitted to finance ministers in mid-1985.

Spain to fund counter-bid for Carbonell

By Our Financial Staff

SR CARLOS Romero, Spain's Agriculture Minister, has offered financial backing for a consortium to buy Carbonell y Compania de Cordoba, the country's biggest olive oil producer and prevent Lesieur of France from continuing attempts to takeover the company.

Sr Romero said that a plan to put together a consortium of Spanish buyers was in an advanced stage of negotiation.

There was an over-reaction to Lesieur's bid for Carbonell, but it brought the desired effect, he said. "Now there is a move on to keep Carbonell in Spanish hands."

Lesieur attempted to buy Carbonell, in June from Banco Hispano Americano for Pta 4bn ($23.3m), but the Government blocked this move by withholding Cabinet approval, required on takeovers of Spanish firms by foreigners. The Government is opposed to Lesieur taking a dominant position in Spain's cooking oil market, which it would have through its recent majority share acquisition of vegetable oil producer Koipe and its takeover of Carbonell.

CONTENTS

EEC faces test of resolve on milk super-levy issue

BY IVO DAWNAY IN BRUSSELS

THE EUROPEAN Commission faces a major test of its resolve to push ahead with the enforcement of super levy payments for surplus milk output due from member states at the end of this week.

The dilemma facing the Commission, which is responsible for the regulations, centres on whether to accede to yet another call from farm ministers yesterday to postpone the first tranche of payments.

Agreement to the request — the fifth since the production restraint system was agreed last March — would cast further doubt on the Commission's determination te held member states to the deal.

In practical terms, it would mean putting back the payments until next March, or possibly May, thereby risking that technical discussions on the controversial restraint mechanism might become enmeshed with the annual talks on farm prices.

The price fixing period is a notorious occasion for political horse trading. Some officials fear that deals between countries on the milk levy's technicalities might be used to gain national advantages over prices.

Mr Poul Dalsager, the Farm Commissioner, began yesterday's discussions with a firm warning that if member states once again put off paying the levy, the Community's monthly advance payment to support milk producers would be halted from January.

The Commission has already agreed to deduct Ecu 100m (£59m) from advances due to member states this month in a clear attempt to make countries aware of its determination to enforce the system.

But there remain serious doubts over whether the Commission will stick by its new threat. The 14 commissioners will debate the issue at their weekly meeting today knowing that whatever they decide will lay them open to criticism.

The call for a further delay came after France and Belgium both repeated that they still had difficulties putting into place the machinery to implement the system.

Mr John MacGregor, the junior UK Farm Minister, was at pains to emphasise last night that everyone had agreed that there was no intention to undermine the super levy.

The choice now facing the Commission may be simply whether to face a major row now, or to put it off until later.

Commission presses UK on milk imports, Page 24

Swedish ship yard closure will cost 2,300 jobs

By David Brown in Stockholm

IN ONE of Sweden's biggest industrial closures to date, the state-owned Svenska Varv shipbuilder announced yesterday it will close its troubled Uddevalla yard at a cost of about 2,300 jobs.

The shutdown is expected to cost the group up to SKr 400m (£38m) and could soak up most of its 1984 profit. The Uddevalla yard showed an operating result of SKr 34m for the first eight months, but has been unable to secure a single order this year.

Following a board meeting in Stockholm yesterday, the management stated "There is no prospect that the shipbuilding market will improve during the rest of the 1980s to an extent that would allow profitable operation." It cited worldwide overcapacity of 40-50 per cent.

The Swedish Government—which contributed SKr 3.5bn to a financial reconstruction of the group starting in 1980—declined further aid.

"We do not believe there is a future in building simple vessels such as tankers and bulk carriers, and we cannot afford the huge subsidies that would be required to keep the yard afloat," Mr Thage Peterson, Industry Minister, said.

However, the Government is preparing a "large new spending programme" on public works and regional support, an industry Ministry spokesman declared.

The board decided yesterday to proceed with the construction of a 20,000-tonne product carrier (to be leased by the OK Oil Consumers co-operative) which will allow the yard to stay open through the start of 1986.

Uddevalla now has two 72,000-tonne product carriers on its order books which will be completed next summer.

A company spokesman estimated the closure will involve up to SKr 200m in direct costs and as much as SKr 200m in write-down for ships ordered but not paid for.

SENATE DEFENCE COMMISSION VOICES FEARS

French forces 'deprived of funds'

BY DAVID HOUSEGO IN PARIS

FEARS THAT the French armed forces are being deprived of the funds needed to fulfill their military objectives and doubts about the credibility of France's new Rapid Deployment Force — Force d'Action Rapide (FAR) — have surfaced in a report by the Senate's foreign affairs and defence commission.

Deliveries of helicopters and tanks over the coming years will be sufficient to give the force the mobility, the firepower and the multiple role the government has claimed for it, the report says.

In addition, the Senate Commission — on which the opposition has a majority — says that the anti-tank helicopters in the force would be vulnerable to counter-attack by Warsaw Pact units until 1992 when the new Franco-German attack helicopter is due to come into service.

The Rapid Deployment Force, conceived in 1982 largely to reinforce France's potential to stand by West Germany in the event of a European conflict, is due to become operational in July next year.

With 47,000 men it will be larger than all but one of the three French Army Corps, and represents the most important development in French military thinking for many years.

The key element in the force is the mobile aid division which includes three regiments of helicopters with 30 anti-tank and 10 attack helicopters in each.

This would have a range of 250 Kms in advance of the French front line and could be called on to counter-attack in the event of tanks from the Warsaw Pact forces breaking through the Nato front line.

The other main element in the force is the light tank division equipped with AMX-30 wheeled vehicles capable of covering 800 kms without refuelling.

The force is intended both for use both in Europe and for "bush fire" conflicts in other parts of the world.

The Senate report casts doubt on the force's credibility in virtually all its roles. It says that the army had received only 79 of the Gazelle SA-342 tank helicopters with which the force is to be equipped by the end of 1983 and is due to receive a further 79 by 1988.

It judges that in both numbers and firepower, the level of equipment marks only a "timid" beginning to the new concept of air mobility.

Over the next seven years, the force will be dependent for attack and support helicopters on Gazelles armed with 20mm cannon.

The report considers that both "quantitatively and qualitatively," these are "very inadequate" in the face of Russian helicopters which the French would be up against in a conflict.

Gen George Frigaud-Chagnaud, the architect of the force and now head of the Foundation for Defence Studies, defends the efficacy of the Gazelles as anti-tank helicopters, pointing out that they knocked out about 100 Israeli tanks in the Syrian-Israeli conflict two years ago.

France has supplied Gazelles to Syria. But he adds that the force had to be constituted around the equipment France had. "If we had waited for new helicopters," he says "we would have done nothing."

The Senate report also criticises cancellations in the ordering of AMX-10 tanks and says that the air transport provided for the force is inadequate for its overseas role.

'March deadline' for enlargement

BY QUENTIN PEEL

FINAL TEXTS for ratification of the enlargement of the European Community to include Spain and Portugal must be ready for approval at the March EEC Summit meeting if the two states are to become full members by January 1, 1986, Dr Garret FitzGerald, the Irish Prime Minister and current President of the European Council, said yesterday.

At the same time, the EEC leaders will have to be ready to conclude an agreement on cash for Integrated Mediterranean Programmes to persuade Greece to lift its reservation on the entire enlargement process, he told the European Parliament.

In an address to the plenary session in Strasbourg outlining the achievements of the past six months' Irish Presidency, Dr FitzGerald warned that the remaining negotiations with Spain and Portugal would be tough, but the differences were "not so wide that they cannot be speedily overcome."

He said that several months would still be required after agreement on the texts for the process of ratification to be completed by all the EEC parliaments, as well as those of Spain and Portugal.

"If the process of enlargement is to be completed in time, these texts must be ready for approval, at the latest by the time of the European Council in March," he said.

Shultz begins consultations with Nato allies

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

MR GEORGE Shultz, U.S. Secretary of State, yesterday began a series of high-level consultations with America's Nato allies in preparation for next months resumption of U.S.-Soviet arms control talks in Geneva.

Mr Shultz, who arrived in London for a 24-hour stop-over on his way to Brussels for a two-day meeting of Nato Foreign Ministers, had talks with Sir Geoffrey Howe, British Foreign Minister, last night.

After the Nato meeting, he is due to go on to Frankfurt on Saturday for further discussions with Herr Helmut Kohl, the West German Chancellor.

On his arrival in London, Mr Shultz said his consultations would be of a general nature since Washington had not yet decided what specific proposals should be put by him to Mr Andrei Gromyko, his Soviet opposite number, when they meet on January 7 and 8.

However, a senior U.S. State Department official who did not want to be identified, said that President Ronald Reagan's Administration attached great importance to sounding out the views of its Nato allies before devising its strategy for the Geneva talks.

Mr Shultz was also expected to seek support of the other Nato countries for improved anti-terrorist action in the wake of the Tehran airliner hijacking, which ended last Sunday after two U.S. officials had been killed by Islamic terrorists.

The U.S. Secretary of State told journalists yesterday that he believed pre-emptive American action against terrorists would be broadly supported by allied countries.

Though declining any detailed comment on the Tehran hijacking, Mr Shultz suggested that the Iranian security forces could have stormed the plane sooner.

He added that such hijackings could be prevented by installing weapon-detecting devices at all airports and refusing to accede to hijackers' demands.

Cyprus peace formula near

BY OUR UNITED NATIONS CORRESPONDENT

INTENSE negotiations conducted with Greek-Cypriot and Turkish-Cypriot leaders under the auspices of the United Nations Secretary-General, Sr Javier Perez de Cuellar, appeared last night to have produced substantial agreement on a formula for ending the sharp differences between them, following the breakdown of the old constitution in 1963 and the fratricidal strife that resulted.

Mr Rauf Denktash, the Turkish-Cypriot leader who has proclaimed a separate state in the northern part of the island, accepted UN settlement proposals last month, but President Spyros Kyprianou asked for more time to consider them.

He returned to New York at the weekend and an announcement was expected last night or today that he, too, has accepted the proposals along with the Secretary-General's invitation that both leaders meet, in New York, Geneva or Nicosia, about the middle of January to complete an accord.

A bi-communal federal republic is expected to result, with the Turkish side renouncing its claim to separate statehood and also agreeing to give up about 8 per cent of the land area it controls.

While details of the proposed new arrangement have not been made known officially, it is expected that the old system of a Greek-Cypriot head of state and Turkish-Cypriot Vice-President will be restored, and that 70 per cent of the seats in a lower Legislative Chamber will be Greek-Cypriot while the communities will have equal representation in an Upper House.

The Security Council is due to meet on Friday to extend the mandate of the UN force in Cyprus.

British Gas defends decision on Sleipner

BY DOMINIC LAWSON

THE British Gas Corporation yesterday launched a fierce defence of its controversial decision to buy £20bn of gas from Norway's Sleipner field.

Speaking at the FT European Gas Conference in Vienna yesterday, Mr James Allcock, director of petroleum purchasing at British Gas, said the gap between UK gas supplies and demand will be 3.5bn cubic ft a day in 1995.

By the end of the century, almost all gas consumer will have to come from fields which have not yet been contracted.

Oil companies have criticised British Gas's decision to buy Norwegian gas, arguing that UK gas production can fill the future supply shortfall.

However, Mr Allcock accused such companies of having a vested interest in British Gas being "caught short" of supplies.

"The oil companies do not run great risks if their projections of gas availability fail to materialise. Some say that if on a 50 per cent probability assessment, we could manage without imports.

"Let me ask you this: If you had the legal responsibilities of British Gas, would you accept an evens chance of being short?"

If the Government turned down the Sleipner deal, then British Gas would soon after turn to other sources of import such as Holland, the Soviet Union or even North Africa.

The recovery in West European demand for gas over the past two years is not very soundly based, Dr John Caulg Gault, senior economist of the International Energy Development Corporation, warned.

Dr Gault argued that the current recovery has depended on what may turn out to be a temporary substitution of gas for heavy fuel oil in the industrial and electricity generation sectors.

According to Dr Gault utilities in gas importing countries have had to find some way of making room for gas which they had purchased under take-or-pay agreements some years ago.

These gas contracts will be renegotiated in the longer term and, if lower prices are not agreed then, some of the growth in European gas sales will disappear.

Mr Peter Gaffney, senior partner of energy consultancy Gaffney Cline, insisted that in the medium- to long-term, prospects for the international gas business remained excellent although it would be a bumpy ride.

FINANCIAL TIMES EUROPEAN GAS CONFERENCE

The ability to develop smaller gas fields economically was increasing supply dramatically and creating the opportunity for a widely-based European gas business.

At current levels, European gas prices are more than adequate to justify the development of significant additional reserves.

Dr David Smith, chairman and managing director of Esso Chemicals, argued that the growth prospects for liquid petroleum gas into fuel sectors are limited.

The increasing availability of competitively priced natural gas will continue the trend of LPG substitution in traditional industrial and domestic fuel markets.

Growth in the use of LPG in the automotive sector would be constained by lack of availability at service stations and unfavourable taxation relative to motor gasoline.

The International Energy Agency believes that the use of gas must be expanded if it is to make a major contribution to reducing dependence on imported oil said Mrs Helga Steeg, executive director of the IEA.

Over the last 20 years gas has become an internationally traded commodity. OECD countries spend over $30bn a year on gas imports. The IEA expects that anticipated OECD demand for gas through the early 1990s can be met by existing contracts and commitments.

Mr Mustapha Faid, director of gas exports of Sonatrach of Algeria insisted that gas importers must continue to pay a price tied to that which they pay for crude oil.

If the European consumer accepted that, then Algerian gas could contribute in liquid or in gaseous form to Europe's growing needs.

Other speakers included M. Jean Traversin, director of Distrigaz, the Belgian gas utility; M. Michel Valais, senior engineer at the Institute Francaise de Petrole; Mr Rudolph Sauschnik, head of the natural gas department of DEMR, the Austrian state oil and gas company, and Mr William Pierce, vice-president in charge of energy and minerals at Chemical Bank.

Portugal ruling parties to keep coalition

By Diana Smith in Lisbon

PORTUGAL'S ruling parties, the Socialists and Social Democrats (PSD) have agreed on a basis for continuation of their 18-month-old coalition, after weeks of difficult negotiation.

The Socialist Premier, Sr Mario Soares, and the PSD Deputy Premier, Prof Carlos Mota Pinto, yesterday signed a 24-page agreement reaffirming the intention stated in June 1983 when the coalition was formed, to stay in coalition until the end of the legislature in 1987.

The coalition was threatened with breakdown after ambitious PSD figures began promoting strategies for the 1985 Presidential elections that questioned Prof Mota Pinto's status in his party and made it hard for the Government to come to grips with important political and economic matters.

The two parties have committed themselves, in writing, to instituting tax reforms in 1985 that will hasten conversion to VAT, simplify tax codes, and reduce capital tax on company profits.

The coalition has also vowed to abolish state trading monopolies and set a deadline for this of June 1985.

By February 1985, the coalition is committed to producing guidelines on the restructuring of the heavily-indebted public sector, and to proposals for extinction of public enterprises that are "manifestly unviable."

EEC moves to defuse mixed credits dispute

BY CHRISTIAN TYLER, TRADE EDITOR, IN PARIS

OFFICIALS OF the world's leading trading nations were meeting informally in Paris last night to try to avert a row between the U.S. and Europe over the competitive use of Government aid money to win scarce capital-project business in developing countries.

The EEC yesterday tabled detailed proposals at a meeting of the Organisation for Economic Co-operation and Development (OECD), where the controversy over so-called mixed-credit financing is threatening to become an export-credit war.

Little progress was made during the formal sessions yesterday. Last night, however, EEC negotiators were apparently trying to persuade the U.S. delegation to accept their proposals for improving the OECD system for alerting competitors when its credits are on offer.

The offer of greater "transparency," however, falls well short of U.S. demands for tougher discipline. By discipline, the U.S. means outlawing any mixed credit in which the aid element is less than half of an overall export credit package.

Present OECD guidelines require a minimum aid component of only 20 per cent.

U.S. Treasury and Export-Import Bank officials have said that, if the OECD cannot deliver, the Congress will be asked to vote a war chest of between $500m and $1bn, so that the U.S. can outbid the rest of the world on behalf of its own contractors.

Yesterday, at least some negotiators seemed ready to test U.S. rhetoric.

The Community proposed a new definition of tied aid that would catch all types of mixed credit in *the OECD screening process.* It suggested a much higher threshold for prior notification of use of soft credit. Finally, it proposed face-to-face consultation between countries early in the life of big projects negotiations, so that a common line of financial offers could be worked out.

It there is no agreement when the formal sessions resume this morning, another meeting may be convened early in the new year.

Labour MEPs attack Hitachi

By Quentin Peel in Strasbourg

BRITISH Labour members of the European Parliament were enraged yesterday over the proposal by Hitachi, the Japanese electronics company, that members of the workforce at its South Wales television factory should take voluntary redundancy at the age of 35.

Mrs Barbara Castle, leader of the Labour MEPs in Strasbourg, condemned the plan as "sick."

"We are going to end up with a teenage workforce," she said. "When people should be educating and equipping themselves for life, they will be the family breadwinners, and chucked on the scrap heap as soon as they have begotten another teenager to take their place."

The Hitachi plan, proposed in a letter to all company employees at Hirwaun, near Aberdare, is for older workers in their late 30s to accept a golden handshake of £1,800 ($2,160) because they are said to be more prone to sickness, slower and with worse eyesight than teenagers.

Trial for Polish priest's killing to start soon

By Christopher Bobinski in Warsaw

ONE OF the most unusual and controversial trials to be held in Eastern Europe since the World War II should start by the end of this month, Mr Jerzy Urban, the Polish Government spokesman, confirmed yesterday.

Four Polish security men, all of whom face the death penalty if found guilty, are to be tried on charges of murdering Father Jerzy Popilenszko, an outspoken pro-Solidarity priest, in mid-October.

Three of the men, Capt Grzegorz Piotrowski and his two subordinates, are accused of murdering the priest while their direct superior, Col Adam Pietruszka, is accused of instigating the crime.

The Government has told the Polish Church in private and repeated the same message in public that the accused still believe that their hard line "patrons" will save them.

That is why the official argument goes that they are refusing to say who instigated the murder which has been officially described as a "provocation" aimed at inciting unrest and destroying Church-state relations, thereby swinging Gen Wojciech Jaruzelski's policies towards a much tougher line.

Officials reason that only a swift trial carrying the death penalty will convince the accused that their only hope is to reveal all they know.

The trial would be followed by an appeal to the high court, officials say. It will be held in Torun, in north-western Poland.

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Russia to help clear Malta port

BY GODFREY GRIMA IN VALLETTA

THE SOVIET Union has agreed to help clear *Malta's* Grand Harbour of sunken British warships and unexploded war ordnance.

A Soviet ship and a team of experts are now on their way to Malta, Dr Alex Sciberras Trigona, the Foreign Minister, told the Maltese Parliament.

The Soviet operation will take place deep inside Valletta's Grand Harbour where 24 warships sunk during World War II with bombs trapped in the wreckage are obstructing the construction of deep water quays.

One quay is urgently needed to service a huge wheat silo now nearing completion.

Malta wants Britain to dredge the seabed but in Parliament, Dr Sciberras Trigona complained of "procrastination by Britain that betrays a lingering colonial callousness, an attitude that should be brought to the attention of Britain's allies in Nato."

Malta turned to the Soviet Union for help while negotiations with Britain are apparently still continuing. Diplomatic exchanges disclosed to Parliament by Dr Sciberras Trigona suggest Britain, on December 3, was still offering to dispatch a team of consultants and to make ordnance experts available later during dredging operations.

The Soviet Union's role at this particular juncture appears restricted to surveying wreckage buried under the silt which would be impossible to identify visually.

Whether the Soviet Union will eventually undertake the entire operation of diffusing and sweeping unexploded bombs and raising warships, some of which are still intact, remains to be seen.

Clearly Mr Dom Mintoff's Government would like to see the involvement of a Western country, possibly the U.S. Dr Sciberras Trigona complained that there was still no sign of an offer from the U.S. adding emphatically that Soviet participation in the operation was of a civilian, not military, nature.

By involving the Soviet Union, Malta may be trying to exert increased leverage on the West in its quest for economic aid.

Last week, Malta considered Italy's defence agreement signed in 1979 to have expired when relations deteriorated over trade and economic assistance differences.

At the same time, the island signed a new defence accord with Libya which has promised to defend Malta's neutral status, train Maltese troops and provide arms.

Mr Mintoff is visiting Moscow *for talks with President Konstantin Chernenko on December*

Alan Friedman adds from Milan: U.S. diplomats are watching the increasing Soviet presence in Malta with a mixture of interest and concern. The U.S. has been dismayed in recent weeks at what one diplomat called "the anti-American and anti-Western rhetoric being heard from Malta."

Romania's new canal off to slow start

BY DAVID BUCHAN, RECENTLY IN CONSTANTA

INTERNATIONAL use of Romania's new canal, shortening by 40 km the Danube's long journey to the Black Sea, has got off to a slow start.

Officials say that will take 24 years to recoup in toll and service fees the $2bn (£1.6bn) it has cost to build the canal, which links Cernavoda on the Danube to Agigea on the sea and cuts off the sprawling delta mouth of the river. But even that may be a somewhat optimistic projection of the financial return on the country's biggest ever project.

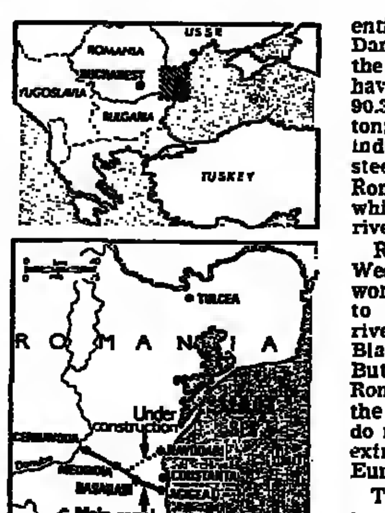
A recent visit to Agigea showed that most of the traffic on the canal, which President Ceausescu opened with much fanfare in May, was still local. In terms of international traffic Mr Valerian Balan, the canal's chief engineer, was, on that day, only able to report that two Hungarian-bound phosphate shipments had recently gone through and some West German boats were expected soon. The few barges plying the canal were mainly shipping materials for southward expansion of Constania port to Agigea and for construction of "mini-ports" at Medgidia and Basarabi along the canal.

But the waterway seems to be providing an economic return to the relatively dry and barren Dobrudja region which it crosses. Some 220,000 hectares have already been irrigated with fresh water from the canal, whose level is regulated by a series of small lakes. Mr Balan also points out that the canal generates some hydro-electricity.

Significantly, Mr Ceausescu recently emphasised that the canal was meant "above all to cover domestic economic needs." This stemmed from the President's insistence that the canal be opened in time for the country's 40th anniversary of communist rule, but before completion of the new sea port at Agigea. Once this is finished, the whole Constanta region will have the capacity to handle 150m tonne sof cargo a year, or twice the canal's maximum capacity, according to Mr Balan.

Even in the interim, however, the chief engineer is confident that his canal should attract growing international custom. It can save boats travelling downstream 24 hours, and more if they are going upstream. With double locks at either end that are 70-90 metres wide and seven metres deep, the canal can take boats of up to 2,400 horsepower, or convoys of up to six barges, drawing up to 3.8 metres of water at a maximum speed of nine km an hour.

Administration of the canal is purely Romanian, but Mr Balan says it conforms to all standard international rules and the basic tariff, varying between $0.70 and $1 per tonne of cargo, is comparable with major international waterways. Romania, he stresses, has a strong interest in fighting pollution because it is using the canal for irrigation.



But it is doubtful that the canal will soon be used to anything like its maximum capacity of 75m tonnes a year, though it is on this assumption that the estimate of recouping the investment over 24 years is based. Shipments along the entire length of hte navigable Danube, from Regensburg to the delta mouth in Romania, have declined recently, from 90.3m tonnes in 1980 to 76.5m tonnes last year. There is heavy industry, such as the Galati steel complex, in many parts of Romania's lower Danube region which will continue to use the river.

Romania is pleased that the West Germans are starting work again on a 50 km canal to link the Rhine and Main rivers, and thus eventually the Black Sea to the North Sea. But Mr Balan emphasises that Romania's calculations about the profitability of its new canal do not bang on the prospect of extra traffic from north-west Europe.

The Ceausescu government seems undaunted by the fact that the Cernavoda-Agigea canal took 10 years to build, even though it followed the line of some excavations by political prisoners in the early 1950s. A narrower (50-70 metres) and shallowed 14.5 metres) canal is now being dug from Novodari on the sea to halfway between Medgidia and Basarabi on the main waterway. Mr Balan sys this 25 km link should be finished by 1986. A more mbitious addition—a canal linking the capital of Bucharest to the Danube—is also talked of for thef utre.

Bulgarian party comes under fire

BY LESLIE COLITT IN BERLIN

A LOCAL Communist party organisation in Bulgaria has been sharply criticised by the main Communist newspaper for "stage-managing" meetings and "stifling all genuine discussion."

The criticism is remarkable as the Bulgarian Communist Party is one of the most orthodox in Eastern Europe. The situation described, however, has prevailed in party organisations from East Berlin to Vladivostok since the Stalin era.

But all attempts to introduce democratic reform by altering the tight vertical line of authority in the party have failed.

Dr Zvetko Atanasov, a member of the party committee in the town of Trun, wrote to the Communist daily Rabotnichesko Delo to tell of his experiences.

He noted that local party meetings proceed "according to a scenario and stage management established in advance."

Whenever someone was permitted to make a statement, he noted, it was read from a typed manuscript. This suggested that the speaker's statement had "perhaps already been checked and approved."

Dr Atanasov remarked that he was never permitted to speak after the delivery of such a written statement. "I do not think I will be allowed to speak in the future either."

During last year's plenary meeting of the Trun party committee, the chairman read a three and a-half hour report, followed by silence when the time came for discussion.

Dr Atanasov said he and another member asked for the floor but were told their opinions were irrelevant. On an earlier occasion, he was "rudely attacked" by the First Secretary of the party committee for objecting to his reading out a list of candidates for office instead of revealing their names in advance for discussion and examination.

Dr Atanasov asked in his letter: "Is this behaviour in the spirit of party democracy? I think not."

The newspaper agreed, noting that Bulgaria's party leader, Mr Todor Zhivkov, had condemned such "violations" of Communist norms, but that they surfaced again and again.

Black labour unrest mounts in S. Africa over sacked workers

BY ANTHONY ROBINSON IN JOHANNESBURG

BLACK trade union efforts to obtain the re-instatement of over 5,500 black workers sacked by the Sasol Synthetic Oil-from-coal Company after the two-day work boycott last month are becoming the focus of rising labour militancy in South Africa.

The 150,000-strong Council of Unions of South Africa (Cusa) yesterday announced its support for a national strike in support of the sacked workers.

The second largest black union, the Federation of South African Trade Unions (Fosatu), with 115,000 members, earlier announced it would soon be releasing a "programme of action" to protest against the sacking of the workers who are *mainly members of the Fosatu-*affiliated Chemical Workers Industrial Union (CWIU).

Union organisers are contacting trade unions in Europe and the U.S. with the aim of bringing international pressure on Sasol and ensuring that tha greater awareness of Sonth African problems in the U.S. and elsewhere also extends to labour issues.

Both Mr Chris Dlamini, the president of Fosatu, and Mr Piroshaw Camay, leader of Cusa, were among the 11 trade unionists arrested on Novemher 14 after the work stayaway. They were released last week-end.

Five of the 11 arrested men, including Mr Thami Mali, the 26-year-old chairman of the Soweto area committee of the United Democratic Front and self-proclaimed revolutionary, wera charged wilh subversion under article 54 of tha Internal Security Act on their release. A trial data has been set for January 31.

Reuter adds from Cape Town: South Africa has responded to Presidenl Reagan'a claim to be using qulet diplomacy to push for change here by saying the country would not allow others to prescribe *for it.*

Stale-run Radio Soulh Africa yesterday qnoted Mr Pik Botha, Foreign Minister, as saying the South African Government would take decisions on reform and security on the basis of what it considered to be the country'a interest.

South Africa would nol allow itself to be prescribed to, particularly not through demonstrations and radical actions hy foreign pressure groups, Mr Botha said.

Syria to buy nuclear power plant from USSR

By Our Middle East Staff

SYRIA confirmed yesterday that it has reached agreement with the Soviet Union for the purchase of a nuclear power plant. Mr Kamel al-Baba, the Syrian Minister responsible for power generation, said in Damascus on his return from the Soviet Union that studles would begin shortly to select one of three possible sites.

Syria had unsuccessfully negotiated with several Western suppliers for the purchase of nuclear technology before turning finally to the Soviet Union. It is belleved that Syria anticipates that a 440 Mw plant will be operational by 1991.

Syria and the Soviet Union signed in 1980 a 20-year treaty of friendship and co-operation.

Israel is certain to view the Soviet decision with alarm, whatever safeguards there may be against Syria using the nuclear facllities for anything but peaceful purposes. In June 1981 the Israeli air force bombed and substantially destroyed a French-supplied nuclear reactor on the outskirts of Baghdad, the Iraqi capital.

Israel and the U.S. have *also strongly* opposed effarts by Libya to acquire nuclear technology.

Peking speeds communes break-up

BY MARK BAKER IN PEKING

MORE THAN 6,000 townships have been created in China this year as the campaign to dismantle Chairman Mao's beloved commune system gathers momenlum.

The shift away from the agricultural collectives is central to the Government's staggering objective of moving more than 240m people—about a quarter of China's population—off the land by the turn of the century.

The new towns are replacing communes as the basic unit of governmenl and Communist Party administration. They are being developed as centres for new rural-based industries, service trades and private businesses, as well as resideotial areas.

Peasants remaining in agricultural work are being encouraged to specilise and introduce new technologies lo boost productivity, and contract farming areas are being expanded for greater efficiency.

By the middle of this year, China had a total of 5,698 towns —2,900 of them crealed since January when the Communist Party issued a major document detailing the rural reform plans.

The Ministry of Civil Affairs Predicted yesterday that there would he nearly 10,000 towns by the *end of this month.*

Fewer than 2,000 towns existed in China at the time of the 1949 revolution and no towns were created from the late 1950s wben Mao declared that "setting up a people's commune is like going to beaven."

By the early 1960s the number of communes rose from 24,000 to 74,000 and it was considered virtual beresy to challenge their value in China's economy until the present leadersbip won control.

Du Runsheng, the head of the Communist Party's rural policy research bureau, announced in March that between 30 and 40 per cent of agricultural workers would have lo be redeployed in rural-based industries and in developing new townships. He said this was essential if China was to achieve its goal of quadrupling production by the year 2000.

About 320m Chinese are clasified as agricultural workers, hul when dependents are considered the redeployment plans are likely to affect a total of between 240m and 320m people on present population figures alone.

Between 1978 and the end of last year, China's industries bad absorbed 32m agricultural workers—a tenth of the agricultural workforce—who had been made redundant hy the success of agricultural reforms.

The Civil Affairs Ministry said thal in Central Anhui Province 270,000 peasants had moved to Towns to work in manufacturing and service industries this year.

Hong Kong agreement queried in China

BY COLINA MACDOUGALL

FO RTHE *first* time *public* opinion in parts of China has questioneds Peking's drafl agreement with Britain over the future of Hong Kong.

An article in the Chinese Press, reprinted in exerpts in the left-wing Hong Kong paper Wen Wei Po, reports that inland provinces have raised four queries as to why and how China negotialed the draft agreement, initialled in Seplember and approved on Wednesday by the British oHuse of Commons.

The questions are: why *should China hold talks* at all with Britain since Hong Kong is Chinese territory; does nol Deng Xiaoping's concept of "one country, two systems," desiened to justify Hoog Kong's retention of capitalism, not violate China's constitution; will not the draft agreemenl give Britain a chance to interfere in China's internal affairs and will not the establishment of Hoog Kong as a Special Administrative Region in 1997 make it in fact independent.

The article deals effectively with these questions by adducing the need *to maintaln* Hong Kong's stahility and prosperity and stressing China's demand throughout the talks for recognation of its sovereignty.

Nevertheless, it is significant that these questions should bc asked, especially in parts of China unlikely to benefit al first hand from Hong Kong's existence as a capitalist centre.

David Dodwell, in Hong Kong, writes: Hong Kong's Legal Department launched a pilot scheme yesterday to train nine Chinese language experts to draft local laws in Chinese.

The *experimental* eighl-*month* course is the first step taken hy Britain's colonial authorities lo prepare the territory for lcgal reforms ahead of 1997, when mainland China resumes sovereignty over hal will then he the Hong Kong special administrative region.

A number of changes in Hong Kong's legal practices will hc needed bcfore 1997. Since Britaio look colonial control of the lerritory in 1842, local laws have been based on those of Britain. Thc territory's court of final appeal is in the UK.

Sabotage suspected in Taiwan pit disaster

ENGINEERS HAVE been sent down a coal mine in Taiwan to probe the possibility of sabotage in a pit explosion which killed at least 78 miners, Reuter reports from Taipei.

Mining officials said engineers who conducted preliminary investigations at the Haisham Iken mine near Taipei had not ruled out the possibility of sabotage in last Wednesday's explosion and subsequent cave-ins.

A preliminary report by official investigators yesterday said the mine and the local fire department had been warned of an explosion before the disaster.

They quoted several mining experts as saying the blast was probably caused by explosives and not by gas as was earlier suspected.

Mining engineers would be sent down deeper into the pit for further investigation and analysis as rescue work proceeded, they said.

Some 14 kg of dynamite taken down the pit for demolition work had not been accounted for.

Rescue workers yesterday found 28 more bodies in the shattered pit, bringing the death toll to 78, police said. Seventeen people were still trapped 1,400 metres underground, they added.

Philippines misses IMF deadline

By Peter Montagnon, Euromarkets Correspondent

MONDAY NIGHT'S deadline for banks to reply to the Philippines' request for a $925m (£771m) credit passed without total subscriptions reaching the critical mass required by tha International Monetary Fund.

Manufacturers Hanover, which spearheaded bank creditors' negotiations with the Philippines, declined yesterday lo comment on the subscriptions received, but bankers say they failed to reach the 80 per cent level sought by the IMF as a precondition for approving its own $615m credit to the Government of President Ferdinand Marcos.

But they stressed that a failure to meet the first deadline does not mean that the loan had failed. The IMF itself was still planning yesterday to discuss the Philippines' loan application at its board meeting on Friday.

The Philippines had given banks only 10 days to reply to the loan request, and this may not have been long enough for some to obtain the required internal approvals.

Some banks have, however, criticised the Philippines' rescheduling package which tha loan is due to accompany for being unspecific on the treatment of private sector debt. This issue is still being discussed between the Philippines and top commercial bank creditors.

The IMF traditionally insists on confirmation that bank loans are available before approving an economic adjustment programme for a debtor country because it fears that without adequate financial support the programme itself could fail.

*But the Philippines is work*ing to a very tight schedule as it is counting on IMF approval for its programme in time to start negotiations next week with the so-called Paris Club of creditor governments on the rescheduling of a further$1.1bn in official debt.

Australian Cabinet reshaped

By Lachlan Drummond in Sydney

TWELVE of Australia's 27 ministerial positions have been sfopped or reshaped to form the second Labor administration of Mr Bob Hawke. The overall number and the faces remain unchanged, however.

The Cabinet has been expanded from 15 to 17 with both left and right-wing ministers added to the inner council. The moves follow the first meeting of the parliamentary Labor Party since the December 1 election, whicb returned Labor with a surprisingly slim 14-16 seat majority, in the expanded 148-seat House of Representatives.

The most senior cbange announced by Prime Minister Hawke, was that of Deputy Prime Minister Lionel Bowen who relinquished the Trade portfolio to become Attorney General, replacing Senator Garath Evans who has been appointed Minister for Resources and Energy.

Mr Bowen's prolectionist views have not sat happily at the Trade Ministry againsl the more free market tendencies of the Hawke Government most often espoused through Mr Paul Ketting who remains Treasurer.

Mr John Dawkins, the former Finance Minister, is moving to the Trade Ministry.

Mr Gordon Scholen has been dropped as Defence Minister to the junior post of Territory Minister. Mr Kim Beazley, the former Aviation Minister, takes up an expanded defence portfolio.

The other Cahinet newscomer, tha left'a Mr Brian Howe, has taken the Social Security part of the partfolio of Senator Don Grimes with the senator retaining the community service *section of the newly split* brief.

Mr Bill Hayden, the former party leader, retains his post as Foreign Minister The Prime Minister *has* taken on additional responsibilities by assuming the youth affairs hrief.

Moroccan central bank supports debt package

BY FRANCIS GHILES

FIFTEEN months after Morocco launched efforts to reschedule about $530m in medium and long-term debt owed to commercial banks between September 1983 and December 1984, agreement has been reached between the authorities in Rabat and the *Kingdom's* foreign creditors about the role of Morocco's central bank.

The financial terms of the settlement were agreed last spring and provide for an eight-year rescheduling of all the debt falling due in the final four months of last year and 90 per cent of the debt falling due in 1984. Repayments are due to hegin after a grace period of three years and the borrower will pay an interest rate margin of 1¾ per cent over London Eurodollar rates.

However, Morocco refused to provide a formal central bank guarantee, pointing out that the charter of the Banque du Maroc neither allows that institution to borrow abroad nor indeed guarantee foreign loans.

The compromise solution is that the central bank will sign a "foreign exchange availability *letter" which gives an under*taking to the banks that the Banque du Maroc will strive lo make available sufficient funds needed for the refinancing.

The agreement is expected to be signed early next year after which both parties will get down to negotiating the rescheduling of that part of the Kingdom's deht falling due over the next few years. Meanwhile, the Kingdom is expected to draw the last tranche of the SDR 300m (£246.6m) IMF standby loan arranged last March before the end of tha year.

Morocco has succeeded in cutting hack its treasury deficil as a percentage of gross domestic product (GDP) lo 7.03 per cent, as recommended by the IMF, but has failed to trim its current account deficit as a percentage of GDP below 10.48 per cent.

Government spending will rise for the first time in two years, in 1985. Investments will increase by 12.2 per cent lo Dirhams 49.6bn (£4.1hn) and curent spending by 11 per cent to Dirhams 21bn.

The trade deficit would have been worst this year hut for the excellent performance of the tourist sector and the higher than usual flow of remittances from Moroccan workers abroad.

The rise in GDP, which was a modest 0.6 per cent lasl year, is expected lo be higher this year and pleniful rain since *early November* provide comfort to the farming seclor, which employs more than half of Morocco's 24m people.

Meanwhile, the order of the day remains, in the words of the Minister of Finance, M Abdellatif Jouahri, "extreme rigour."

AMERICAN NEWS

Brazil will not reach key IMF money supply targets

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL WILL fail by a wide margin to reach key money supply targets set by the International Monetary Fund (IMF) under the terms of its current letter of intent, now undergoing revision.

According to figures released by the central bank in Brasilia, means of payment have grown 166.6 per cent and monetary base by 183.5 per cent in the 12 months to the end of November, nearly double the approved levels.

The latest IMF targets for 1984 for the two indicators – upwardly revised during the course of the year to accompany inflation – were both 95 per cent.

Negotiations in Brazil with a visiting IMF team about a new economic programme for 1985 were broken off unexpectedly a week ago. They were resumed discreetly in Washington last Saturday, it was learned yesterday.

In an interview yesterday with O Globo, a leading daily newspaper, Sra Ana Maria Jul, deputy head of the IMF's Atlantic division and a regular member of the IMF's negotiating team for Brazil, said the team probably would not return to Brazil this week as previously announced.

The negotiations in Washington are understood to be focusing on ways of achieving an operational fiscal surplus, which is demanded by the IMF for next year.

To achieve the target of a 2.5 to 3 per cent surplus believed to have been settled on implies either further tax increases or more cuts in public spending, beyond those achieved during the first two years of the IMF programme.

In November, the central bank reported that the monetary base grew by 12 per cent and the means of payment by 17.6 per cent. Rural credit operations were to blame, according to the bank – notably wheat purchases and financing of foreign trade.

Peru seeks $400m loan to repay interest

BY MARGARET HUGHES IN LONDON

PERU IS trying to negotiate a loan of $400m to enable it to pay overdue interest owed to creditor banks on its $12.6bn foreign debt. Peru is now over five months in arrears to 300 creditor banks with some $230m overdue in interest payments.

It is understood that Peru wants three countries – Mexico, Spain and Venezuela – to put up $100m each, with the remaining $100m to be provided by its leading creditor banks.

Peru held three days of talks in New York last week with its 12-bank advisory group led by Citibank, which has now telexed to other creditor banks with details of the Peruvian proposals and a request that they should continue to roll over the outstanding debt.

Negotiations are said to be at a very delicate stage. Banks are reluctant to put up new money for Peru, yet are anxious that some interest is paid before the end of the U.S. bank accounting period.

Peru still has some $200m outstanding from a $450m credit committed by its creditor banks this year as part of a $2.6bn rescheduling package agreed in April, but still to be signed to cover maturities extending to mid 1985.

The drawdown of the third payment of $100m due in September was, however, prevented by Peru's failure to roll over some $2bn in short-term debt. The final instalment of another $100m, due this month, was contingent on Peru's complying with its programme with the International Monetary Fund (IMF).

Nuclear war 'would blot out sunlight'

By Reginald Dale, U.S. Editor, in Washington

A MAJOR nuclear exchange could blot out sunlight with tons of smoke and dust, plunging most of the northern hemisphere into a period of severe cold and dark for up to 20 weeks, according to a scientific report commissioned by the Pentagon.

The report by the prestigious National Research Council, published yesterday, was less doom-laden than past predictions by other scientists of a nuclear winter that would end virtually all life on earth.

The study, which limited itself to the atmospheric and climatic effects of a nuclear exchange and did not cover radioactive fallout or biological consequences, said much more research was necessary.

"The unfortunate but unavoidable fact is that, even though we are 40 years into the nuclear age, much of the basic information needed to assess the likelihood and extent of global atmospheric consequences of a nuclear exchange simply does not exist," the report said.

Its findings are based on a hypothetical exchange in which half the world's nuclear arsenal—about 25,000 weapons with a force of 6,500 megatons—would be fired.

Reagan to visit Canada

PRESIDENT Ronald Reagan is to visit Canada in March to further the improvement in U.S.-Canadian relations dating from September's election of Mr Brian Mulroney as the country's Conservative prime minister, our Washington correspondent writes.

U.S.-Canadian relations became increasingly strained under the Liberal government of M Pierre Trudeau, not least because of Mr Trudeau's policy of regulating foreign investment and increasing Canadian ownership of the country's key industries. Mr Mulroney last week announced a major reversal of those policies.

Falklands press UK for 200 mile fishing zone

BY HUGH O'SHAUGHNESSY

AN international scramble for the deep-sea fish stocks around the Falkland Islands, which could yield catches worth £200m a year, has prompted the Falkland Islands government to try and exploit their potential.

The government in Port Stanley is continuing to press Britain to declare a 200-mile fishing zone round the islands and this month it begins a study of the inshore fishing potential of the territory.

The 18-metre Grimsby-registered vessel the Coastal Pioneer arrived in Port Stanley late last month to explore potential catches of crab, king crab, clams and scallops. The Falkland Islands government is hoping to establish a small industry, with the high value catches flown to markets from the airport now being completed.

Port Stanley is continuing to press Whitehall to extend the present three-mile limit and charge licence fees to the increasing numbers of foreign trawlers working the Falklands waters for cod, hake and blue whiting.

A commercial survey of the yield of the deep-sea fisheries carried out by British trawler owners J. Marr and Sons suggests that an annual catch worth £200m could be taken from Falkland waters.

Fleets from the USSR, Poland, East Germany, Spain, Japan and Taiwan are now fishing intensively in waters around the islands. Dues received from foreign trawlers received by the Stanley harbour master have risen from less than £2,000 in 1976-77 to £261,324 in 1983-84.

According to the Falkland Islands Association in London the licensing of trawlers, were a 200 mile fishing limit declared around the Falklands, could yield a net profit to the islands of £7m a year.

The British Government has so far refused to declare such a limit lest it damage still further the possibility of some eventual agreement with Argentina about the future of the islands.

Latin America eases way for investors

For decades, governments have been wary of allowing foreign capital to return to the position of dominance which it occupied at the beginning of the century. **Hugh O'Shaugnessy** reports on a shift in policy.

"IT IS important to encourage fresh flows of new direct investment which will contribute directly to future growth . . . Importers of capital must welcome and facilitate investment . . . If they are to induce profitable investment, which I have suggested is in their long-term interest, they must reduce the threat to future profitability."

Thus spoke Mr Ian Stewart, Economic Secretary to the Treasury, last month. His was one of the most recent of a host of admonitions that have been delivered to the developing world in the past years as the developed countries seek better terms for their investors.

The signs are that Latin America, at least, is taking heed of such reprimands. The region is doing so, not so much because the Latin American governments have been converted to the case for foreign investment — they have been, and continue to be, wary of allowing foreign capital to return to the position of dominance over their public utilities and industries which it occupied at the beginning of the century.

Rather they see foreign investors as bringing new capital that Latin America is finding it increasingly difficult to obtain from the commercial banks.

Burdened with an outstanding foreign debt of $350bn, the region has seen its new net foreign borrowing fall from $41bn in 1981 to only one or two billion dollars last year.

With the fall in borrowing from banks Latin American governments are turning increasingly to attracting new foreign investment and are dismantling the obstacles and limitations to such investment that many of them had spent decades building up.

Collectively the governments have scrambled to support the Inter-American Development Bank's new vehicle to encourage foreign investment, the Inter-American Investment Corporation. With an initial capital of $200m, the IIC should be in business towards the end of next year with funds subscribed by the U.S. and Latin American governments and some of the IDB's non-regional members (Britain, Belgium and the Scandinavian countries are among those non-regional members of the IDB which decided not to subscribe).

The IIC will hope to do for Latin America in particular what the International Finance Corporation, an arm of the World Bank with a paid up capital of $544m and borrowings of $548m has been trying to do in the world at large, viz putting entrepreneurs in touch with domestic and foreign sources of capital.

The countries of the Andean Pact (Venezuela, Colombia, Ecuador, Peru and Bolivia) which for more than a decade under the renowned Decision 24 of the Andean Pact Commission decreed a common limit on profit remittances by local subsidiaries of foreign multinationals and which closed off large areas of their domestic economies to foreign investors are now ceasing to impose those limitations.

Venezuela which in the 1970s had been severe in its implementation of Decision 24 is now seeking to attract foreign investors by scrapping many local restrictions. Foreigners are now being allowed on to the boards of Venezuelan companies and are being permitted to buy Venezuelan real estate.

Peru, which in the days of the nationalist military government of the 1960s and early 1970s, chased out foreign oil companies has recently signed a big exploration contract with Shell. Argentina is doing the same.

To the north, Mexico which developed a maze of regulations to stop its economy being too dominated by the U.S. investors next door is relaxing those regulations. In February the government in Mexico City announced that it would henceforth allow majority or total control of companies in selected areas to pass to foreigners if they provided large numbers of new jobs, created exports and brought new technologies. The first fruits of this change in attitude is the IBM project to invest $300m in a new factory near Guadalajara to produce micro-computers.

The decision which is expected to be announce shortly to allow IBM to have 100 per cent control of its new factory is seen as a highly important precedent in Mexico. Nevertheless, there are parts of the Mexican government machine which are firmly against opening the doors too wide to foreign investors and they can be counted on to make things difficult for overeager capitalists from abroad.

A recent survey by the U.S. Department of Commerce finds that the official policy of the vast majority of the 36 Western Hemisphere countries welcomes foreign investment, but 23 of them bar foreign investors from certain areas or restrict the percentage of a company they can own. Twenty-two countries subject foreign investments to screening or registration procedures. Fourteen countries, on the other hand, are willing to subsidise roads and buildings for the foreign investor, or pay part of his water or electricity bills.

But the impression should not be given that there are necessarily queues of foreign investors desperate to put their money into Latin America. "Latin America is in the first instance a source of raw materials. And who wants to produce, say, more copper when the world is stiff with copper?" commented the director of one international financial institution.

At the same time the continuing economic slump in Latin America is doing nothing to expand the domestic markets in the region.

With so many contradictory factors at work it is difficult to foresee whether Latin America will finally end up with any big new flows of foreign capital. The World Bank estimates that over the next decade private direct investment in all developing countries will rise by 11 per cent a year. A poll of 52 large multinational companies undertaken by the U.S. Department of Commerce, showed that one in five were planning to increase their foreign investment by between 25 and 50 per cent in real terms in the five years to 1987.

As the Latin Americans step up their efforts to attract foreign investors, it is not at all certain that they will succeed. Brazil has done well in the past, but success for Latin America as a whole may have to wait till the region emerges from "the most dramatic setback since the Great Depression." By then, however, when Latin America is beginning to grow again, governments may start reimposing the curbs on foreign investment they are gingerly dismantling today.

WORLD TRADE NEWS

BA, Vickers in line for China project

BY MARK BAKER IN PEKING

BRITISH AIRWAYS and Vickers, the UK engineering group, have begun negotiations with the Chinese government on building a £50m aircraft maintenance centre in Canton.

British Airways officials predict the deal could be worth between £10m and £25m for the two companies.

They said talks were still at the "exploratory stage" but they believed the companies' experience and expertise would give them an advantage in securing the deal.

... comprehensive maintenance and overhaul facilities for Boeing 737 aircraft. China is already operating five 737s and is awaiting delivery of another five.

The Civil Aviation Administration of China (CAAC) approached the two British companies seeking a bid for the project. But British Airways officials expect strong competition from consortia including Lufthansa, Air France and, possibly, the Hong Kong-based Cathay Pacific.

Vickers would design and construct hangars for the centre in conjunction with British Airways which would also be involved in providing equipment, training and management services for the Chinese Airline.

British Airways has contracts already to maintain and overhaul CAAC's ageing fleet of Trident aircraft.

Details of the potential new deal were given at a press conference by senior British Airways executives, including the airline's Director of operations, Mr Heward Phelps, who are attending an aeronautics exhibition in Peking.

The exhibition, the first of its kind to be staged in the Chinese capital, involves more than 200 companies from 15 countries.

They are seeking a stake in what is expected to be a rapid expansion in imports of aeronautical equipment and technology by China following the decision to carve up CAAC's monopoly on domestic and international air services between four new, largely autonomous companies.

INDONESIA has decided to resume direct trade links with China, Kieran Cooke reports from Jakarta. The Indonesian foreign Minister, Dr Mochtar, said Indonesia could no longer afford to ignore the China market. He said a policy decision had been made on resuming direct trade relations, suspended since 1967 following Indonesian allegations that Peking was behind a Communist coup attempt.

At present, the bulk of trade between the two countries goes through middlemen in Hong Kong and Singapore. China has already reacted favourably to the move.

● Aleha Airlines of Hawaii has run into competition in its bid to set up the first joint-venture airline with China, AP-DJ reports from Xiamen.

Mr Hung-Wu Ching, Aleha's chairman, announced a tentative agreement last April with officials in the city of Xiamen, in Fujian province. His unprecedented plan called for U.S. investment in a new airline, based in Xiamen, that would fly both domestic routes and to Southeast Asia and Japan.

But Ye Sulang, Xiamen's vice-mayor, told a group of visiting foreign correspondents last week that Aleha has competition from Japan Airlines and Philippine Airlines.

Saudis form chemical venture with Europeans

By Finn Barre in Riyadh

SAUDI ARABIA is joining forces with Finnish and Italian companies to produce the chemical compounds necessary to raise octane in unleaded petrol.

The Saudi Arabian Basic Industries Corporation announced yesterday that it will sign a joint venture agreement on Sunday with Neste Oy of Finland and Enichem of Italy, to create the Saudi-European Petrochemical Company.

Sabic will own 70 per cent of the project. Enichem and Neste Oy and Arab Petroleum Investment Corporation (Apicorp) will each own 10 per cent of the project.

Saudi-European Petrochemical Company will produce 500,000 tonnes per year of methyl tertiary-butyl ether (MTBE) from 1988.

Sabic officials said that the name Saudi-European Petrochemical Company was selected to make the point that its products are part produced by European companies.

The Saudis are worried about European protectionism against their products. This concern is shared by other Arab producers such as Libya and Kuwait. A joint European-Arab Chamber of Commerce meeting in Paris last week heard a warning from the Arab Industry that Arab nations will consider retaliating if the European Economic Community continues to levy tariffs against Arab producer petrochemicals.

Richard Johns writes: The project will absorb about 13-14 per cent of Saudi methanol production capacity amounting to 1.25m tonnes a year from the two plants half-owned by Sabic which came on stream this year.

Sabic's joint venture partners are Celanese / Texas Eastern and Mitsubishi. They expect the MTBE project to process output from the two plants, both located at Jubail, in almost equal proportions.

Sabic always intended to move downstream into MTBE production but the timing of the announcement may well have been prompted by last week's agreement by EEC environment ministers to make lead-free petrol at a 95 octane rating (two degrees higher than that available in the U.S. and Japan) by 1989.

The imposition of a 13.5 per cent tariff on Saudi methanol this summer has caused tension in relations between the EEC and the Gulf Co-operation Council grouping six Arab oil producers in the region and raised the possibility of retaliatory trade restrictions by them.

UK PARTNERS EYE $500m DEAL

Bus makers jostle for first place in Bangkok race

BY CHRIS SHERWELL IN JAKARTA

THE WORLD'S biggest bus manufacturers, including a Leyland-led consortium from Britain, are drawing battle lines for slices of a $500m (£400m) contract to reorganise and re-equip the vast public bus operation in Thailand's congested capital of Bangkok.

The outcome is not only important for this sprawling city's 5.5m residents, it also has significant implications for the Thai Government's domestic standing, and it offers the big manufacturers a prestige contract guaranteeing jobs and future business.

Vying with Leyland in this no-holds-barred contest will be Van Hool of Belgium and Volvo of Sweden, Mercedes Benz of West Germany, Isuzu and Hino of Japan and Renault of France. MAN of West Germany and Pegaso of Spain are also interested.

Governments are going to be asked to help via grants of aid and by bending the so-called "consensus rules" controlling the rates of interest for international projects.

This is likely to be a test for the British Government, which prefers only to match competing offers and, in Thailand, is still smarting from its painful involvement in an abortive oil refinery contract.

Unlike that case, the Thai Government will stand behind foreign borrowings relating to the bus contract, which ought to encourage Whitehall. But a successful bid for what is potentially one of Britain's biggest export orders could still hinge on the strength of the Government's prior commitment to it.

The aim of the project is to rescue the Bangkok Mass Transit Authority (SMTA), which runs the city's bus system, from its financial mess. The authority operates 5,100 mostly old buses on 119 routes, carries 5m passengers a day and employs 23,000.

According to the Thais themselves, it is also close to bankruptcy. Losses last year amounted to Baht 798m (£25m), equivalent to more than B2m a day, and the accumulated debts of Baht 4bn are crippling.

Three quarters of the prospective value of the contract lies in the supply of buses, spares, computer hardware, maintenance facilities and depots. The rest lies in the consultancy and management needed to formulate and implement a sophisticated strategic plan embracing all aspects of Bangkok's bus operations.

Domestically, the project will help the four-party coalition government in Thailand and especially Mr Samak Sundaravej, the Minister of Communications, and his political party. While the heavily subsidised bus fares will almost certainly have to rise, which will pose a delicate political problem, people will have improved bus services and the BMTA debt problem will at last go away.

For the manufacturers, the rush is already on. Those who have followed the project since it was mooted some two years ago have a decided advantage, for the terms of reference are detailed. Some latecomers will be unable to beat the January 15 deadline.

Already the front runners are reckoned to be the British, the Belgians and the French, with the Japanese—unusually for Thailand and, indeed, for South-east Asia—bringing up the rear. But all this could change, for the skirmishing over the coming weeks and months could be messy.

The British team consists of Leyland and the UK government-owned National Bus Company, along with MVA Consultants of London, which has already done a study of part of Bangkok's bus system. The consortium's financial advisers are Wardleys.

Body-makers Van Hool of Belgium have previously been linked with chassis-builders Volvo of Sweden for the project, and they are likely bid jointly. It is not clear who would provide the management and system input, however, either for this bid or for any offer from Renault, which is also a strong contender.

The disadvantage for the two Japanese bidders, who actually have assembly lines in Thailand, is that they do not build high-capacity buses. Defeat for them would close a currently lucrative market, as they supply and maintain much of the BMTA fleet. As they have no share of the rural market, dominated by Mercedes Benz, a Bangkok deal for the West German group would, by the same token, give it a highly favourable position.

The deal is one of three major transport projects for Bangkok. The Thais have also decided in principle to build a $600m elevated rail system and a $250m extension of the city's fledgling expressway system.

It is now clear, however, that the bus project has progressed the furthest and has full political endorsement, while the others, for which prospective bidders have also been sounding out the Thais, may only see the light of day in 1986-87.

This simply adds to the urgency. With the next general election due by 1987, the bus venture could be the last major project in Thailand before the government changes.

Ericsson shares Malaysian order

ERICSSON, the Swedish telecommunications and information systems group, will share in an SKr 2.2bn (£200m) contract to expand the national telecommunications network in Malaysia through a joint venture with Electroscon, a local contractor, David Brown reports from Stockholm.

The deal, to provide a cable network for some 500,000 subscriber lines over a four-year period, is worth about SKr 750m to Ericsson, which will own 30 per cent of the newly formed venture, Electroscon Network Engineering.

Transatlantic twin-jet flights

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

TRANS WORLD AIRLINES of the U.S. is to start non-stop transatlantic flights with twin-engined Boeing 767 jets between both Paris and Frankfurt and St Louis, from April 28.

The Boeing 767 seats 193 passengers compared with the customary 400-plus on Boeing 747 Jumbo jets. With such loads, TWA expects to make money on routes that cannot economically support Jumbo jet flights.

Flights will be daily in each direction on both routes. Flights between London and St Louis non-stop, which also start on April 28, will be performed by Boeing 747s, because of the greater traffic loads available on that route.

TWA will be the first U.S. airline to use "overwater twins" for long-distance flights. Air Canada is to start using Boeing 767s non-stop between Halifax, Nova Scotia, and Prestwick and London from April 1.

The advantage of using twin-engined airliners on such long flights is the saving in direct operating costs (three-engined and four-engined jets are more expensive to fly), whilst because of their smaller payloads they can be used profitably on routes where loads do not normally justify the use of the bigger jets.

Swiss approve Leopard tanks

THE SWISS parliament yesterday approved by a 144-46 vote a controversial SwFr 3.4bn (£1.1bn) order for West German battle tanks, Reuter reports from Berne. The parliament's lower house approved a proposal to buy 35 Leopard Two tanks from Krauss Maffei of Munich and build another 345 under licence, aiming to equip the army with 380 by the early 1990s. Supporters said the extra costs because of licensing factor, which they put at SwFr 400m, were justified by the 1,400 jobs local production would create, the acquisition of know-how and greater independence in national defence.

Eximbank lifts U.S. hopes for Egypt N-plant deal

BY TONY WALKER IN CAIRO

THE U.S. Eximbank decision to provide credit backing for American companies seeking contracts to build Egypt's first nuclear power station has significantly improved prospects for Westinghouse of the U.S. which is competing with European bidders.

Eximbank announced its support last week on the eve of final negotiations between companies and Egypt's nuclear power authority. It had previously refused credit backing on the grounds that Egypt's nuclear programme did not make economic sense because of low electricity prices.

Final negotiations involve: a French-Italian consortium headed by Framatome; Kraftwerk Union of West Germany and a Westinghouse venture with Mitsubishi of Japan.

Until EximBank reversed its decision on the project, the French-Italian consortium was the clear front runner by virtue of the some $1.5bn (£1.2bn) in credits for the project guaranteed by the French and Italian governments.

Mr Maher Abaza, Egypt's Minister of Electricity, said last month he expected a decision on the successful tenderer by March.

Egypt's parliament, the People's Assembly, voted last week after several days of debate to support the government's nuclear programme

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

The Founding Members of ESPRIT

GEC's Derek Roberts: enthusiast for collaborative research

A shared approach to scientific study

David Fishlock reports on pre-competitive research in Europe

IS THERE a way that companies which traditionally have competed strongly for markets can share the burgeoning costs of research without jeopardising their competitive position?

GEC believes that there is. Mereover, it has evidence to baek its confidence, culled from Europe's first big industrial collsboration in pre-competitive research.

"We've got the 'company chemistry' going between companies with no history of talking to each other," says Dr Derek Reberts, GEC's technical director.

Pre-competitive research was invented in Japan but is spreading to the U.S. and Europe. To take one example—so deep-rooted are modern manufacturing processes in the basic sciences, research into one vital technique may mean exploring several expensive routes. But if companies can be persuaded to share such scientific studies, ond pool findings, they might save money—millions of pounds—and yet remain free to choose what to use from the pool.

At the EEC, Viscount Etienne Davignon persuoded 12 large European companies to support on experiment in pre-competitive research for information technology. Aptly, it was named ESPRIT—the European Strategic Programma of Research in Information Technology. The EEC offered to match, pound for pound, money committed by the 12 to ESPRIT.

The 12 founding memebrs—the ESPRIT industrial group, as they call themselves—are GEC, ICL and Plessey (UK), Siemens, AEG nod Nixdorf (W. Germany), Thomson-CSF CGE, and Bull (France), STET ond Olivetti (Italy), and Philips (the Netherlands). They work through a round table of chief executives for broad policy, and an eight-man steering committee of research chiefs which established the shape and size of the programme. But other companies have joined in, and even have leadership ef projects. The 12 new account for less than half the programme.

Because ESPRIT is an experiment in stiffening Enrope's industrial sinews, it embarked initially on a pilot programme of 36 projects. In addition, one project was designed to serve ESPRIT itself, by developing an information exchange network for rapid communication between the collaborators.

Altogether, about 200 ECU were committed jointly by the EEC and industry to the pilot projects, out of 1.5bn ECU (about £1.33bn) total envisaged for a five-year ESPRIT programme. The work is divided between the laboratories of collaborators. English is the working tongue.

GEC elected to participate in eight of the pilot projects, including the information exchange network, which is based upon a GEC proposal.

The pilot projects are now being evaluated for inclusion in the main ESPRIT programme. David Speake, formerly Marconi's technical director and now GEC's main link with ESPRIT, says one thing it has demonstrated already is the value of starting with a reasonably precise plan.

The ESPRIT plan consists of six areas of technology, of which three are "enabling technologies," two are applications or "demonstrator" projects, and one is infrastructure for ESPRIT. The six are set out as a matrix together with the total allocation of funds to each area.

Speake believes that about 80 per cent of the pilot projects set up through this plan will survive current scrutiny to continue as part of the main ESPRIT programme. All but one in which GEC has participated look like surviving.

The one that went awry had aight porticipating companies under the leadership of CIT-Alcatel, and aimed to define design rules fer computer integrated manufacture.

"Ill-conceived," is bow Darryl Hooper, who manages GEC's central research, sees this project. Everyone wanted to partielpote in it, but no one thought very deeply about how to do it, he says.

It failed, says Hooper, because there were too many collaborators, not enough effort by any one of them, and too little cash for the magnituda of the problem.

Nevertheless, he believea ESPRIT learned a valuable lesson—that it can be easier to stop collaborative research than one's own research. Stopping research is one of the most difficult problems of research management. But Darryl Hooper contends thot the psyehological and emotional problems involved may be more easily bandled in a peer group. This project simply stopped itself.

But the main aim ef pre-competitive research is to achieve something like a three-to-one gearing of effort by pursuing separate options and pooling experience. Against this theoretical gain must be set the inevitable disruption of any one participant's own research programme because ef time-consuming communications.

GEC says it is particularly pleased with the way ESPRIT is fostering its "company chemistry" with Thomson-CSF. They are partners, along with CSELT (project leoder), AEG and Plessey, in a collaboration in odvanced techniques for communicating with computers.

The project splits cleanly in two, however. GEC and Thomson colloborate on speech analysis. Currently, GEC and Thomson see speech communication for different applications—GEC for robotie inspection and Thomson for medical scanning. But Hooper sees it as an "enabling technology," potentiolly applicable to a wide range of projects.

"The main task of the pilot phase was to see whether you can work together," says Geoff Bown, head of a GEC-led project in computer-aided design of silicon chipjs with np to a million transisters. Bown says the bureacrats in Brussels underestimate the importance of this aspect in their eagerness to persuode their political paymasters ESPRIT really is werking.

Bown—whose partners are AEG, Bull and Plessey—believes three er four partners is probably the limit. But fewer will fail to take preper advantage ef Europe's sbertage ef skills.

As he sees it, it will be essential to exchange staff between laboratories in order to get the best collaboration (GEC and Thomson plan te exchange researchers next year). As a collaboration the research will be slewer and more costly because of the extra man-hours—perhaps 25-30 per eent—involved in makiog the collaboration work.

GEC proposed the longest-running ESPRIT preject—new entering its third year—to develep an information exchange system for ESPRIT itself. Although the programme is funded for only five years, enthusiasts for ESPRIT see it in business for a decade at least. Bull heads this project administratively, but GEC has technical leadership — "to apread the management load."

According to Richard Bittlestone, project leader, it will put ESPRIT researchers online next year. When the programme peaks in 1986 about 1,500 researchers will be interconnected by computer and electronie mail.

As Dorryl Hooper sees it, partners in ESPRIT projects are playing a dual role. Not only are they developing advanced tecbniques, they are olso auditing each other's progress. He believes that this self-auditing of industry's research may prove more critical than the auditing dooe by government laboratories in the past, and more satisfactory than criticism from "outsiders."

His boss, Derek Reberts, says that no matter how enthusiastie Brussels was being about pouring funds into ESPRIT, had the pilot projects failed to establish the right "company chemistry," there would have been much les seagerness to gel the main projects started.

In faet, inter-company attitudes are "extremely encouraging—a very open attitude very quickly emerged on the pilot projects." In pressing ahead quickly with pilot projects, ESPRIT was "smarter than Alvey," Derek Roberts says.

The Alvey programme, Britain's response to the Japanese quest for a "thinking computer," is only jusl starting its first research. The plan is te link it into the ESPRIT information exehange net.

Roberts, who was in at the hirth of both pregrammes, says there is still an unresolved problem with the £850m Alvey programme, of the role of universities. He has ne doubt that it is the job of university partners in Alvey te help industry, and net vice versa.

Viscount Davignon, in setting up ESPRIT, made sure that industry was at the centre. "The Alvey people bave te be reminded that it is an industry programme,55 Roberts says.

Designs for the real world

CHRISTOPHER LORENZ

BRITAIN'S bndding designers seem at last to bove realised that their werk must be commercially viabte to have an impact.

After several years of heing flooded with socialty useful prodncts fer the old and disabted—hardly any of whieb, sadly, have gone into production—the judges of the 1984 Design Council Schools Design Prizes fonnd that this year's entries inelnded an unprecedented number of hard-nosed projeets.

The dozen winners, announeed yesterday, fully reflect the ehange. For example Alec Miltigan's orphanage for ptglets, and Matthew Leach's solar-powered fridge for vaccines, combine social valne with perceived market potential.

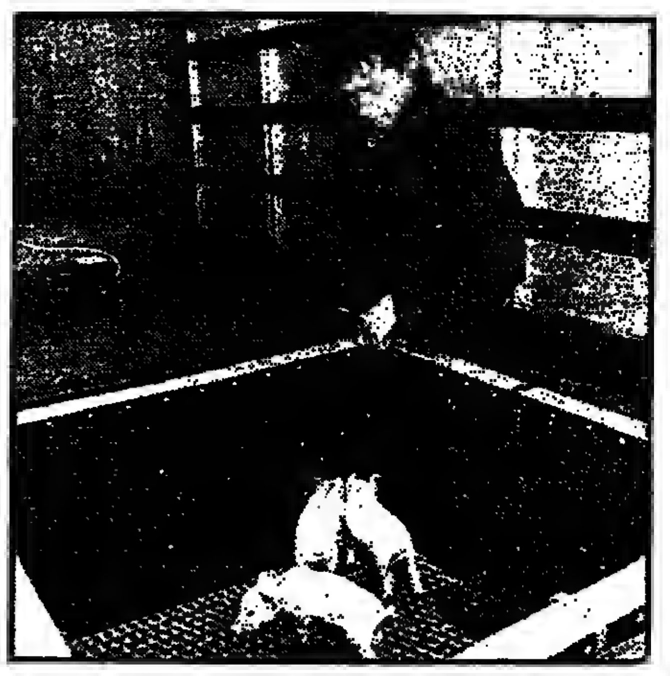
This year's competition attracted a record erop of 305 entries. More significant, for the light tt sheds on the rapid growth of design and technology teaching in Britain's schools, is the fact that the entries came from 154 schools, compared with 135 last year and only 95 in 1982.

Eqnally illuminating ts the foct that several of the prize-winners are studying at well-known independent schools; the wishes of Sir Keith Joseph, the Ednecation Secretary, to have design taught right across the social spectrum, seem gradually to be becoming reality.

The design competition, now in its eighth year, is sponsored by a major indnstrial company for three years at a time. Before Tborn EMI (for which 1984 was the tast yeor of sponsorship), it was baeked by GEC and Rolls-Royce. A sponsor for 1985-87 has yet to be found.

Commenting on the range of entries and winners, the chairman of the judging panel, Dr Robert Smith, who is director of Kingston Polytechnie, said that "things are beginning to move. Many schools are picking up the message that design is to do with industry. Five years agn they weren't nearly as awore."

The 1984 winners also inrlude: an optical fibre alarm system for bieyeles, a pair of trousers that convert tnto a sktrt; a atylish chair shaped like a eloud; a stability worning device for tractors; an arrow fligbt analyser; a eor mechanie's trolley; an architectural project for a leisure centre; a portfolio of fashion designs; a nappy-ebanging table and a horizontal handsaw. The winning designs wilt be on show at London's Design Centre during March.



Alec Milligan with his orphanage for piglets. An expert in the breeding and feeding of pigs, thanks to his work on his grandfather's farm, he knows how difficult it can be to hand-rear piglets rejected by their mothers (sows can seldom manage to feed a litter of more than ten). His cheap low-tech orphanage provides a hygenic envionment, complete with carefully controlled temperature. If piglets are too hot, he says they suffer from heatstroke; if they are too cold, "they can shiver to death."

BUSINESS PROBLEMS BY OUR LEGAL STAFF

Lengthy wind-up

Some 40 years ago, to help a friend start np a new business, I invested in some of the shares. The man died three years ago, and the business was sold, but the winding np of the limited liability company has not yet been completed. The assets ef the company do not exceed £25,000. Each time I write to the solicitor who is responsible for the winding-up, I am told that the matter is still in the hands of the accountants bnt should be finalised shortly. Last year they were confident that it shonld be completed by the end of the year bnt this did not bappen. The matter still drags on with no apparent end in view.

Should not an annual report be prepared and distributed to the shareholders so long as the company continues to exist even though it is no longer trading? What are the questiens that should be asked to ensure that the matter is being dealt with in the most expeditious manner?

A directors' annual report weuld net be prepared, but the liquidator must file and eirculate accounts annually in o voluntary winding-up and every six menths in a compulsory winding-up. We suggest that you communicate with the liquidater direct.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

TECHNOLOGY

EDITED BY ALAN CANE

AIRBORNE MEASUREMENT METHODS

How to tune a helicopter

BY ALAN CANE

CONVENTIONAL air sickness is bad enough but "helicopter sickness" is awful. It is those with vulnerable stomachs when they fly in a helicopter which is "out of tune"—in other words, vibrating brutally because of out-of-balance forces in its rotating machinery.

But if out of tune helicopters cause their passengers stomach ache, their operators feel the pain elsewhere as they see their profits eaten np all too readily by grounded machines.

Mr David Bloxham, managing director of a company offering a novel aolution to the prohlem observes: "One of the most fundamnetal aspects of running a helicopter fleet is aircraft availability.

"Grounded aircraft are a big headache and an extremely expensive one. Where there is a military threat, availahility becomes absolutely vital."

What Mr Bloxham and his company, Helitune MCT, are selling will not prevent helicopters slipping out of tune, but it is reckoned to make the job of restoring them to health quicker and easier—even for the comparatively unskilled.

Helitune's device ia called the Rototuner; among its customers are the RAF, Sikorsky and Westland Helicopters.

The Rototuner makes possible the analysis of every kind of vibration in the helicopter together with rotor tracking and balancing. What is more it can all be done while the helicopter is in flight by almost anybody, Helitune claims: "There is no need to enageg specialist engineers or commit existing hangar crews to expensive familiarisation, training and refersher courses."

Te device is hasically a very *intelligent spectrum analyser,* taking data from conventional accelerometers to indicate the vibrational characteristics of the aircraft in flight generated by the main rotor, the tail rotor, the engine, shafts and so on.

The most novel part of the equipment is a line scan camera which is hand-held and used in the cockpit of the helicopter in flight to track the rotor bladea — that it, ensure they are all travelling along the same path.

Hand-held? What about points of reference? "That is part of the magic," says Mr Allan Clearwaters, Helitune technical director, giving away only that the device is measuring the difference in heighi between one hlade and the next

The techniques can also be applied, Helitune says, to turhines, ships, engines, propellors, diesel trains, fans, plant anc machinery.

ENERGY CONSERVATION

Quick-fire heating

HEATING UP chunks of metal is an intrinsic part of many heavy industries. But often the furnaces in which theae jobs are done are ill-designed and so waste energy, according to engineers at British Gas.

Workers at the corporation's Midlands Research Station in Solihull have designed small, quick-fire heaters that are designed to hlast measured amounts of energy at components of specific shapes.

In such hardware, in which less energy is wasted in heating up a large chamber, fuel expenditure ean be considerably reduced, according to British Gas.

Fairhank Brearley of Bingley is selling the heaters under licence to the corporation. It has installed one such device at a Sheffield factory that turns out railway sleepers.

In the plant, owaed by Cooper and Turner (part of the Glynwed group), bolt heads are forged onto pieces of steel about 20 cm long. The steel segments are passed on notched rails through the furnace while it is heated to 1,200 degrees C. As the metal segment is discharged, it is picked up by a robot arm and passed into a forging press where the head is formed.

According to Cooper and Turner, the energy consumption of the furnace ia half that of the old rotary-hearth furnace that previously featured in the production process.

THE RACE TO WAFER-SCALE INTEGRATION

Big memories at Sinclair's Metalab

BY PETER MARSH

ONE OF the first commercial products from Sinclair Research's new laboratory in Cambridge is likely to he a solid-state version of the Wiochester disk stores used in large computers, according to Sir Clive Sinclair, chalrman of the company.

The device would he hased on wafer-scale integration, a technique in which memory circuits are packed economically in large slices of silicon. Wafer-scale integration is one of several technologies under development at Sinclair's MetaLah, which employs about 50 peoplexnearly half the total staff of the company.

Sir Clive says he hopes to sell the new memory store next year. The device could be used in the compulers sold hy Sinclair Research—or could plug into those produced by other companles.

In wafer-scale integration, circuits are created on a slice of semiconductor in much the same way as in conventional integrated-circuit production. The positions of the circuits are defined in a printing technique and then particular atoms are deposited to alter the electrical properties of the semiconductor.

In estahlished processes, a circular wafer of silicon treated in this fashion is cut up to produce several hundred small "chips" a few millimetres square that are mounted on plastic to form the finished component.

In wafer-scale integration, the cutting stage is abandoned. Instead, then circults are left in position on the wafer—which then forms part of the memory or processing architecture of a computer or some other items of electronic hardware.

The advantage is that, if the wafers are properly designed and manufactured, the electronics engineer has in one component a vast amount of computer power. This can then be slotted into place in a finished system, which could be anything from a memory store to a satellite terminal.

But to design such wafers is a formldahle task. Electronics engineers would have to create electrical connectioos between the myriad of individual circults on the wafer. They would also have to build in redundant circuits so that if one fails a back-up can take over.

Wafer-scale integration also puts strains on process engineers. In conventional manufacturing of semiconductors, up to 50 per cent of individual chips are thrown away after testing has shown they are faulty.

With the newer process, a company would need to be confident that a much higher proportion of the wafers that it is turning out will work. To jettison anything greater than a few per cent would threaten the economics of the process.

Several electronics companies around the world have examined wafer-scale integration. So far the technology haa failed to leave the research stage to form a part of a commercial process.

The main joh of the MetaLah team is to produce what Sir Clive calls a "metacomputer"—a machine that works according to principles of artificial intelligence so that it has rudimentary reasoning powers. Sir Clive hopes to create such a computer hy the early 1990s.

It could form part of consumer products. For example, such hardware could be incorporated into home-based medical-advice systems that diagnose ailments for people without the need to consult a doctor.

Researchers at the Camhridge laboratory are working on several aspects of the metacomputer, for instance semiconductor processing (this includes wafer-scale integration), novel computer architecture such as parallel processing nnd software languages with which engineers would write the instructions for the new machine.

Sinclair Research has not so far joined the Government's Alvey programme, a scheme backed hy £200m of state cash to marshal the country's expertise in advanced computing research. In the programme, companies and academic groups jointly conduct specific projects in computing and electronics.

Sir Clive thinks it is in his company's best interests to put all its research activity behind a single-minded scheme to create a particular form of machine rather than spread ont its work over several collaborative projects.

Can Sir Clive, right, succeed where Gene Amdahl, left, ahown holding the prototype of his ill-fated chip, failed?

Whatever happened to Trilogy's chips?

TRILOGY AND its wafer scale integration project is one of the semiconductar industry's herolc failures.

Tho company was established by Gene Amdahl, one time top IBM compnter designer and architect of the Amdahl plng compatible machinery which gave IBM such a fright in the mid-1970s.

Only a year ago, its prototype wafers were looking spectacularly good: 30 per cent faster than any known chip, Amdahl was claiming, and running 20 degrees cooler than IBM's equivalent circuitry.

He estimated the mean time hetween failnres for his chips at more than 600 years.

The company attracted suhstantial shareholders incinding Sperry, Digital Equipment and Bnll and raised over $240m to finance its research.

But by March this year, its development programme had fallen hehind schedule for the second time and it seemed that the supercompnter the company intended to build from its wafers would be only a little faster than IBM's best.

By May, the earliest dellvery date for the new machine had allpped a further 12 monihs and on June 11, the company announced it had given up its plans to build a supercomputer.

Wafer scale integratian had simply proved too difficult and and too expensive to hring to fruition, vindicating IBM's decision in the 1960s not to proceed with the technolagy hecause the risks were too high.

Handling

Gantry robot

A GANTRY robot from Jungheinrich is aimed at industrial handling problems such as pack palletisation, order picking, machine tool loading/unloading and the movement of materials in flexible manufacturing systems.

The longitudinal axis (left to right) consists of a strong steel section with hall hush guides, housing a rack and pinion. Running on this with 2,500mm of movement is the lateral axis (front to back) member, a steel section beam on which runs a torsion-resistant vertical beam with grippers at the lower end.

The machine can be freely programmed in all three axes, and a variety of vacuum pads and grippers can be fitted. More on 061 998 7919.

Computing

More power for IBM PC

A COMPLETE hardware and software package allowing IBM personal computer users to access videotex services and use the computer as a telex terminal is offered by Thorn EMI Datatech of Feltham, Middlesex (01-890 1477).

Based on Datatech's VX543 auto - dial / answer personal computer modem, the package includes videotex and database software on a floppy disc and a comprehensive instruction manual. The company claims that even newcomers to such equipment can use videotex "within a short time of unpacking the box." Visual and audio prompts are provided at each stage of operation.

The package can also be used for micro-to-micro communicating, using the auto-dialling facilities to set up links over the telephone network at 300 bits/sec (full duplex) or 1,200 bits/sec (half duplex).

Mineworkers' area set to widen division in union

BY PHILIP BASSETT, LABOUR CORRESPONDENT

NOTTINGHAMSHIRE (Notts) looks set to become the first area of the National Union of Mineworkers (NUM) to end the 13-month-old overtime ban which up to now has been observed by all NUM areas, including all those not on strike.

That fresh blow to the already badly split NUM is likely to consolidate or even increase coal production, and might make power cuts – the striking miners' main hopes of winning the dispute – even less likely to happen.

Signs of the move in Notts came as the leaders of other mining unions began to detect indications from senior officials of the National Coal Board (NCB) that they might be ready for talks with the NUM on the right terms.

Leaders of the NUM Notts area will meet next week, on December 20, to consider the full results of branch meetings on whether to continue the ban on overtime, which began on October 31 last year and has been up to now rigorously maintained throughout the NUM.

So far, a majority – thought to number about 17 – of the area's 31 branches are understood to have voted to abandon the overtime ban. The remainder will vote over the weekend.

Only one or two branches have voted to maintain the ban. If, as now seems likely, most branches vote to abandon the ban, production in the area, where last week 330,000 tonnes of coal were mined, might increase. NCB officials accept that the ending of the overtime ban in the area might have a significant effect on overall production levels, since time-consuming maintenance work could be switched back to its normal weekend position.

Coal production in Notts and other working areas has been a principal factor in keeping going the key Midlands power stations. Branches are also voting heavily in favour of an important change in the area union's rules, which would shift the final union authority from the left-led national NUM to the moderate-led Notts area.

Notts miners are voting in favour of deleting Rule 30 of the area union, on the relationship of the area and national rules, which states now: "In all matters in which the rules of the (area) union and those of the national union conflict, the rules of the national union shall apply, and in all cases of doubt or dispute the matter shall be decided by the National Executive Committee of the national union."

Deletion of that rule might be necessary to allow the overtime ban to be formally abandoned by the Notts area. At the last-but-one meeting of the Notts area council, a move to abandon the ban was rejected because the area council felt then that it was a constitutional national decision, although the last meeting then decided to put the issue out to this branch testing of opinion.

Ending the overtime ban, plus amending the area rules to allow it to retain NUM membership but gain full autonomy, would be a severe blow to Mr Arthur Scargill, NUM president, and the union's national leadership. It would make it difficult for the national union to apply any disciplinary measures – already clouded by legal action – against Notts miners or their leaders.

Area leaders are also considering a further constitutional move that would probably make permanent the shift against the left seen in the area in the summer.

Leaders of the British Association of Colliery Management (BACM) and the pit deputies' union Nacods yesterday detected a possibly significant shift in the NCB's attitudes during a meeting with Mr Ian MacGregor, NCB chairman.

Union leaders said that even though publicly the NCB was insisting there was no point in meeting the NUM for further discussions, in private NCB officials seemed to be willing to hold further talks.

Such talks, though, would have to came from an initiative from some body other than the two main parties, and the initiative itself could only be considered if it held out the prospect of a positive movement.

Trades Union Congress (TUC) leaders monitoring the miners' dispute will meet again today, and some involved were indicating yesterday that today's meeting might see an important step forward.

Mr MacGregor is likely to be pressed to explain the NCB's attitude towards any further talks when he makes a "state-of-the-union"-style address on the industry to a meeting of the BACM executive in London.

BACM leaders are also likely to maintain the pressure exerted both by their union and Nacods at yesterday's meeting of the Joint Policy Advisory Committee with the NCB over Mr MacGregor's comments last week about the possible future privatisation of the mining industry.

Mr Alan Wilson, BACM general secretary, and Mr Peter McNestry, Nacods general secretary, said last night that they had tried in the meeting to obtain an assurance from Mr MacGregor that mining would remain a nationalised industry.

Mr McNestry said that Mr MacGregor had evaded a direct answer, but had simply explained the context of his original statement, which was made in reply to a question about making pits NUM co-operatives.

The NCB said that 90 striking miners returned to work for the first time yesterday.

Ivor Owen adds: an indignant Sir Michael Havers, the Attorney General, denied in the House of Commons yesterday that he had undermined the traditional impartiality of his office by ensuring that Price Waterhouse, the accountants, were able to discharge their role as sequestrators and seize the assets of the National Union of Mineworkers.

He insisted that as "guardian of the public interest" he had had no alternative but to seek the authority of Treasury ministers to indemnify Price Waterhouse in respect of the costs they incurred in tracking down the £8.5m "squirrelled out of the country" by the NUM in an attempt to avoid the £200,000 fine imposed on it for deliberate contempt of court.

HIGH COURT OFFICIAL APPOINTED TO COLLECT £200,000 FINE ON TGWU

Union's assets may avoid seizure

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE TRANSPORT and General Workers' Union (TGWU) – Britain's biggest union – may escape sequestration of its assets after its failure to meet Monday's deadline for payment of a £200,000 fine for contempt of court.

Mr Justice Hodgson – who, when he imposed the fine on November 26, said that the TGWU was guilty of "one of the worst cases of disobedience of the orders of the court that there can ever have been" – yesterday decided to call in a High Court official, the Queen's Remembrancer, to collect the fine.

That means that, instead of total seizure or freezing of its £54m assets, which would seriously affect its ability to operate, the union probably faces nothing worse than the loss of property sufficient to cover the fine and legal costs or, more likely, an order enabling the money to be taken

The unioo was penalised for disobeying a court order to call off a strike of its members at Austin Rover, the BL subsidiary, unless strike action was approved by a union ballot under the 1984 Trade Union Act.

The expectation was thet, if it found itself faced with sequestration of its assets, it would direct the sequestrators to a union bank account with enough money to cover the fine and costs. Such an approach to the Queen's Remembrancer would still probably be the cheapest way of disposing of the matter.

Austin Rover had indicated that it would be unwilling to return to court to initiate sequestration proceedings, as the dispute at its plants had ended, and would dn so only at the judge's request.

That left the judge with the options of calling the company back, or treating the fine as a debt owed to the court. Yesterday he chose the latter course, and instructed the Queen's Remembrancer to act on the court's behalf as a creditor of the union.

The Queen's Remembrancer is Master Bickford Smith, senior Master of the Queen's Bench Division of the High Court. A master is a junior judge dealing with pre-trial procedural matters. He will instruct the Treasury Solicitor to act for him.

Men and matters, Page 12

Rogue businessmen face new sanctions

BY ALISON HOGAN

AN ASSURANCE that "honest and responsible directors have nothing to fear" from the Government's Insolvency Bill was given yesterday by Mr Alex Fletcher, Minister for Consumer Affairs.

The Bill, published yesterday, includes tough punitive measures to curb delinquent directors and rogue liquidators. Under it, directors of companies thet go into compulsory liquidation will be automatically disqualified from taking other directorships. Directors also face personal liability in case of wrongful trading.

The Government has maintained the automatic disqualification measure despite fierce criticism at this "dragnet approach" from tha Institute of Directors and other bodies. They fear it will result in people hesitating to offer their services, especially to companies starting up or needing restructuring.

Mr Fletcher said ha expected a lively debate as the Bill made its passage through parliament and that it "should encourage directors to think positively about their functions and responsibilities." The Bill is expected to become law next summer.

The minister is determined to maintain a distinction between voluntary and compulsory liquidation, arguing that if a director does nothing and allows the continuation of a loss-making company until the court has to intervene in its affairs, "then the presumption must be that they have been negligant."

He has conceded a three-month period in which a director may appeal to the court against the automatic disqualification.

The Government has conceded that a public utility such as electricity, water and telephone can no longer assume a preferential claim and threaten to withdraw essential services to companies in receivership.

Editorial comment, Page 12

Shipyard managers to attempt buyout

BY MARK MEREDITH AND IAN RODGER

THE MANAGEMENTS of two Scottish shipyards, Yarrow on the Clyde and Hall Russell at Aberdeen, are attempting a combined employee buyout.

The proposal emarged as British Shipbuilders (BS) put the two yards up for sale yesterday as part of the plan to privatise all its warship yards.

BS, which is state-owned, also revealed that its trading loss in the first half of 1983-84 was £7m, down from £58m a year ago. The corporation is forecasting a reduction in its trading loss to £50m for the full year to March 31 1985, compared with the record £161m loss in 1984-84.

The managements of the Yarrow and Hall Russell yards believe their yards are complementary Yarrow, with 5,500 workers, constructs large warships, specialising in the Type 22 frigate for the Royal Navy. Hall Russell, with 800 workers, makes smaller vessels, such as offshore patrol boats and salvage vessels.

Mr James Milne, managing director of Hall Russel, said: "Our products are compatible, enabling us to reach more of the market." Hall Russel would be able to call nn Yarrow's design and marketing strengths.

Other bids may emerge. Yarrow, the company which owned the Yarrow yard before nationalisation, *has said it might make an offer* for its former subsidiary. Companies with North Sea oil interests may be interested in Hall Russell as a supply base or to have it make offshore support vessels.

Yarrow Shipbuilders had pre-tax profits in the year to March 31 1984 of £11.5m compared with £8.7m in 1982-83. Hall Russell's pre-tax profits were £741,000 in 1983-84 compared with £766,000. Offars must be submitted to Lazard Brothers, the merchant bank, by January 21.

Lawson defends economic objectives

By Philip Stephens

MR NIGEL LAWSON, the Chancellor of the Exchequer, yesterday firmly rejected suggestions that the Government's economic strategy was indifferent to people's social needs.

In an apparent reference to recent Labour Opposition and backbench criticism that the Government should do more for the unemployed, Mr Lawson said that his objectives were as much social and political as economic.

He said that the present policy of forging a "strategy for enterprise" through greater privatisation, increased share and home ownership, increased competition, and less state interference, offered the only hope of creating a healthier social order.

Speaking to the Institute of Directors, Mr Lawson said that the Government's central aim remained to "create a society in which public ownership really does mean ownership by millions of individual members of the public."

The success of the British Telecom flotation illustrated the potential for such a widening of ownership, which would provide the path to growth and prosperity and the way in which jobs could be created.

The success of the privatisation policy had already been reflected in the improved results of companies taken out of state ownership

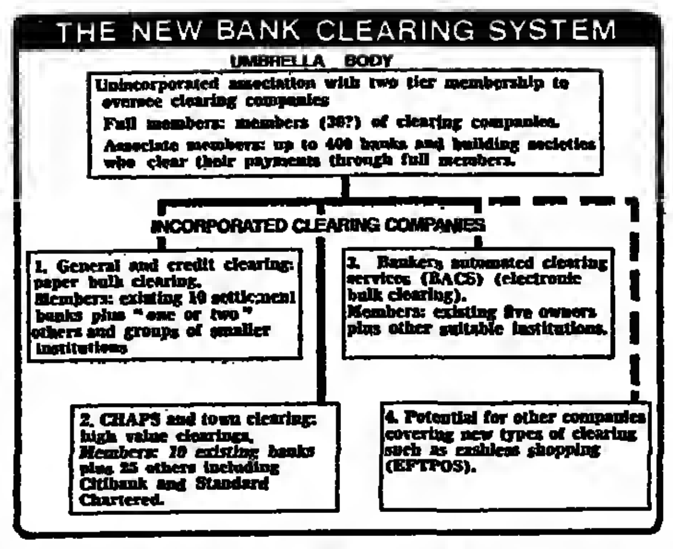
Profits forecast

YESTERDAY'S report on the Trustee Savings Bank (TSB) quoted outdated profit figures provided by the brokers de Zoete & Bevan. TSB's 1983 pre-tax profits were £155m before a special £31m pension provision, and de Zoete is now forecasting a 1985 profit of £150m.

CITIBANK SET TO STIMULATE COMPETITION

New democracy promised for 'club' of bank clearers

BY DAVID LASCELLES



IF BRITAIN'S big banks have been accused in the past of running the UK clearing system as a secretive monopoly (a charge they have always vigorously denied), the Child Report should change all that.

With yesterday's proposals by the report, the clearing banks lean over backwards to throw membership open to almost everybody in sight (some 400 banks and building societies will be able to join if they wish). They also promise to run it openly and fairly, which should reassure those who cannot or choose not to join.

Much of the report, which is the size of a telephone directory, is only of academic interest for the general public and even the business world, which will notice little difference. However, it marks an important shake-up in the way the billions of cheques and payments made in the UK each year will be processed. It also recognises that the building societies have become a considerable force in the banking world and that new forms of payment, such as cashless shopping, are on their way.

Clearing in England and Wales (Scotland and Northern Ireland have their own systems) is at present done through the 10 members of the Bankers' Clearing House. Those are the Bank of England, Barclays, Trustee Savings Bank, Co-operative Bank, Lloyds, National Westminster, Midland, National Giro, and Coutts and Williams & Glyn's which belong, respectively, to NatWest and Royal Bank of Scotland.

All other banks clear through those banks which act as their agents. However, although the UK has one of the swiftest and most reliable clearing systems in the world, the big clearing banks have never been able to dispel the suspicion that they run it as a club that stifles competition.

Only a year ago, the National Consumer Council in a report on retail banking recommended the Government to review that monopoly if the clearing banks had not themselves done something within two to three years.

At the same time, the applications by Citibank (the first foreign bank to seek entry) and Standard Chartered, along with the whole technological revolution that is sweeping through UK banking, prompted the clearers to take their own initiative. Ten months later, the Child Report is the result.

The chief recommendation is that clearing should be split into its separate functions, each of which would be run by a limited company owned by institutions that meet clearly defined criteria. Those would be mainly an ability to settle payments through an account at the Bank of England, and an actual or potential ½ per cent share of the volume that passes through the company. (That is very small, but since the big clearers already account for three quarters of the volume, the scope for the rest is limited, although they will be able to band together in groups to join.)

Clearing's new democracy will be created through an umbrella body that will oversee the companies and to which any institution that uses the clearing system may belong. It promises to be a massive, unwieldy organisation with hundreds of members who will try to form policy through consensus. It may well be that true power will continue to reside with the big clearers through their dominance of the operating companies.

The Bank of England will also retain what amounts to a veto over full membership by refusing to grant an institution a settlement account. The Bank will not say how it will judge a suitable applicant, which conflicts with the openness for which the Child Report is striving, although there is no reason to suppose it would act arbitrarily.

There will also be quite a big cost barrier to becoming a fully fledged clearer: new members will have to contribute to the cost of setting up a clearing system (that is small for paper-based clearing but hefty for new electronic networks like Bacs and Chaps, probably £150,000 to £200,000). There is also the cost of equipping and staffing their own internal systems.

It suggests that there will not be a big rush of new full members. Only Yorkshire Bank of the non-members presently has the volume to qualify for general clearing, and a couple of dozen other banks might be eligible for "big ticket" Chaps and Town Clearing, including Citibank and Standard Chartered. The biggest potential membership for general clearing lies with the building societies: the biggest ones may eventually join individually, and the smaller ones may form themselves into groups.

The clearing banks doubt that the new system will reduce the cost of clearing (having denied that it is a monopoly they could hardly claim otherwise). However, the entry of an aggressive new member such as Citibank is bound to stimulate competition in the market for clearing services.

Citibank has long aspired to be a full British bank, and clearing membership will both boost its status and add to the formidable range of services it already offers to the corporate customer. On the retail side it has about 50 branches in the UK. It intends to build that up to about 200 and reach into hundreds more towns through shared cash machines, by which time it will probably be eligible for general clearing membership, too.

No special conditions have been attached to Citibank's pioneering effort to join UK clearing, although as a foreign bank, it had to satisfy the Bank of England that it will not pull the plug if some future U.S. President engineers a repeat of the Iranian assets freeze.

Standard Chartered has about 100 branches and plans to link up with building societies to increase its retail presence. Membership of Chaps and Town Clearing will initially benefit its correspondent and corporate banking business.

Payment Clearing Systems. Review of organisation, membership and control by members of the Bankers Clearing House. Banking Information Service, 10 Lombard Street, London EC3V 9AR. Summary free. Report £10.

UK NEWS

Industries hit by rising cost of heavy fuel oil

BY MAURICE SAMUELSON

THE RISING price of heavy fuel oil has become one of the main areas of concern for British manufacturing industry as it tries to curb its energy bills.

Athough world crude oil prices continue to slip, heavy fuel oil, used for space and process heating, has risen 31 per cent in the past 12 months.

Manufacturers say that is having a dramatic effect on energy-intensive industries, such as paper and board, for which heavy fuel oil supplies a third of its energy needs.

The price of heavy fuel has been rising steadily as modern refineries produce less of it than in the past. Its price has also been strengthened by its heavy use in British power stations instead of coal during the present miners' strike.

Customers in the UK also complain that it attracts an 8 per cent excise duty, which, it is claimed, is twice as high as the average continental European tax.

In other forms of energy, however, UK industrial customers concede that they are not usually worse off than European competitors, a finding that is expected to be confirmed shortly by a study being prepared by the Confederation of British Industry, the employers' organisation.

According to the Paper and Board Industry Federation, UK gas prices are cheaper than on the Continent and UK coal is also cheaper than in some countries, although not France.

Electricity prices for UK industry are also more competitive. They have fallen slightly in real terms since 1982, although the very-high-load consumers, such as the steel industry and some chemical plants, remain at a disadvantage compared with parts of the Contineot.

The next change in UK industrial electricity prices is to take place on April 1, and the worst that customers may expect is a marginal rise in real prices.

Simultaneously, however, talks are taking place about the flexible load management terms that enable most large industrial customers to buy cheaper power at off-peak times of the day or night.

The Electricity Council, the umbrella body of the electricity industry, is considering whether to renew those terms for e second three-year period, or whether to renew them for only one more year, during which time fresh terms would be announced.

More than 100 big industrial companies, with an average winter demand of more than 6 Megawatts, have taken advantage of the contract load terms since 1981. They enjoy price reductions ranging from 7 per cent to 21 per cent in return for agreeing to switch off their electricity supply at short notice.

However, the system is of little value to some plants that use large amounts of electricity continuously. Separate discussions are being held on how their prices can be reduced other than by taking advantage of off-peak tariffs.

Under a new proposal, those sites' power prices would be linked to specially negotiated tonnages of cheaper coal supplied to power stations by the *National Coal Board*.

The Electricity Council says it is ready to consider the plan if it can reconcile it with its statutory obligation not to discriminate "unduly" among its different customers.

Enterprise buys first onshore oil stake

By Maurice Samuelson

ENTERPRISE Oil, the former oil production arm of the British Gas Corporation, has obtained its first onshore exploration interest since it was privatised this year.

It has become the operator in an exploration area near York, North England, where it has acquired a 25 per cent interest from Weeks Petroleum, Lennox Oil and Whiteball Petroleum. Its stake will increase to 50 per cent if seismic tests justify applying for a drilling licence on the block next year.

Enterprise also announced yesterday thnt it had arranged to acquire n 25 per cent offshore interest in Block 29/14h, 220 miles due east of Dundee, Scotland. The block is part of n licence granted in 1978 and held by Britoil and Amerada Hess Exploration.

Enterprise has now farmed into a total of seven blocks on the UK Continental Shelf, one onshore in the UK, and overseas in France and Ireland.

Since being launched, it has steadily tried to widen its exploration interests in promising areas that will be part of the forthcoming ninth round of exploration concession in the North Sea.

It is now involved with seven different operators in eight acreages to be allocated under the ninth round.

● Total Oil Marine said it had plugged and abandoned well 9/9a-6, close to the Frigg Field in the North Sea, after finding gas and condensate. The company said the result was "fairly encouraging and could be a discovery."

Total, the operator, has a 33.3 per cent stake in the well; Elf UK has 66.6 per cent.

Annual savings of £1.5bn sought in Whitehall spending

BY ANDREW TAYLOR

THE PRIME MINISTER has asked government departments to prepare detailed proposals aimed at saving up to £1.5bn a year through more efficient purchasing of goods and services.

A small but senior team of executives will be established to co-ordinate spending worth around £7.5ho a year. At least three of the five-man team, including its head, are expected to be appointed from the private sector.

The decisions follow recommendations in a Whitehall review, published yesterday, which highlights purchasing inefficiencies by civil servants.

The report, by the Management and Personnel Office (MPO), responsible for Civil Service organisation, calls for a more professional npproach by departments purchasing items ranging from paperclips to computer software.

Recommendations range from bonus payments for good purchasing to recruitment of experienced private-sector managers to improve departmental buying skills. The report also calls for specialised training for purchasing officers, less bureaucracy and more streamlined procedures.

The report claims its recommendations could save at least £400m, or 5 per cent of annual expenditure, and might save as much as £1.5bn. It recommends departments to establish individual targets for savings.

The MPO criticises the lack of contact between officials and suppliers. It says companies should be given early warning of departments' requirements, so that they can organise accordingly. Companies that fail to win orders should be told why, so that their performances can improve.

Examples of poor purchasing practice are given in the report. In one case, an architect on assignment to the Pacific island of Tuvalu required £1,000 of draughtsman's equipment. All the items could have been bought from shops close to the architect's offices. Most could have been bought, at no loss, in Fiji.

Instead, the contracts went to tender and the taxpayer ended up paying £2,700, including administration and freight charges, to buy and ship goods worth £1,000. By the time the items arrived, the architect had left.

The MPO recommends n more commonsense approach to purchasing. It says procedures are too bureaucratic for the risks involved. At the Foreign and Commonwealth Office, 17 separate procedures were identified between the arrival of a purchasing requisition and an order being placed with a supplier.

"The effect of excessive double-checking is directly to increase costs and delay actions," says the report. "Senior staff become burdened with unnecessary work and junior staff become demotivated if they are used as post boxes."

Officials are also criticised for requesting specifications that suppliers find difficult and expensive to meet. The report quotes a Ministry of Defence order that might have been up to 50 per cent cheaper without "inessential additions" requested by the ministry.

In another instance, it is claimed the Home Office could cut its bread bill by 14 per cent by using a Ministry of Defence supplier that charged 6p a loaf less.

The MPO proposes a strict timetable for the implementation of its recommendations. It says the new central purchasing team should report to the Prime Minister annually and should make its first report by June 1986.

Shareholder pressures 'a benefit for BT'

BY GUY DE JONQUIERES

FINANCIAL TIMES WORLD TELECOMMUNICATIONS CONFERENCE

BRITISH TELECOM'S new private shareholders would put more commercial pressure on the company's board than parliament did while BT was a nationalised industry, Mr Geoffrey Pattie, Minister for Information Technology at the Department of Trade and Industry, said yesterday.

He told the Financial Times world telecommunications conference in London that shareholder pressure would complement liberalisation and competition to make BT more responsive to customer demand.

Britain's more liberal telecommunications policy had also brought an "upsurge" in manufacturing that was highly beneficial to the country. It was estimated that by the end of the next decade investments in the UK telecommunications infrastructure would total £15bn.

West Germany had done little to deregulate its telecommunications market in the past year, but the pace of change was likely to accelerate soon, Dr Franz Arnold, managing director of Scientific Control Systems, said.

The West German Post Office had until recently been preoccupied by policies intended to stimulate the development of mass communications, notably through the expansion of cable television. However, its priorities were shifting towards meeting the needs of individual customers.

Mr Seth Blumenfeld, International President of MCI Communications, said that competition in telecommunications would become increasingly widespread as more countries realised the advantages competition offered.

That trend stemmed not only from deregulation of telecommunications in the U.S. but also from economic and technological changes that undermined the basis of traditional monopoly policies.

"As we have seen so clearly in other industries, the winners in international competition will be those countries that seize the emerging technologies and best apply them," he said.

"Since no one can predict specific paths to success in a dynamic market place, those with the greatest freedom to innovate and respond quickly to change will find their national economies prospering."

Mr James Olson, chairman of AT&T Technologies, said that American Telephone and Telegraph was committed to a strategy of long-term international expansion in telecommunications and information markets.

The company wanted to co-operate, not to dominate. It was willing to share with others its experience in research, development and manufacturing and was open to new ways of doing business.

Divestiture of its local telephone companies at the start of this year had changed the whole nature of AT&T's business. In many respects it was more like an emerging growth company than a mature supplier of communications products and services.

The former Bell System telephone companies must define their role after the breakup of AT&T with a new realism, Mr William Weiss, chairman and chief executive officer of Ameritech, said.

Realism was needed to respond to customer expectations, to attack costs and to recognise and deal with the need for a new culture in the telecommunications industry.

In the past, telecommunications was driven by technology. Today, however, telecommunications companies must analyse the market, understand the competition, recognise market needs and meet them by making available appropriate technology at appropriate prices.

The growth and development of Europe's telecommunications industry demanded closer collaboration between governments, telecommunications authorities and manufacturing companies, Mr Daniel Weadock, President of ITT Europe, said.

"If we in Europe take advantage of our combined resources, government and industry together will see many new business opportunities arising which will be mutually beneficial," he said.

Ian Rodger on an iron ore deal that went wrong

BSC's mine disaster

BRITISH Steel Corporation (BSC), losses of which rose sharply to £245m in the half-year to September, has had to make provisions of £103m on a disastrous venture in Canada.

The venture, Sidbec-Normines, dates back to the early 1970s, when steelmakers everywhere were expanding and were concerned about whether they would have enough raw materials.

As one move to secure iron ore supplies, the state-owned BSC joined in 1975 with Sidbec, the Quebec government-owned steel group, to develop a mine on the lower north shore of the St Lawrence river.

One attraction of the deal was that port facilities, a railway and a concentrator had already been built by a U.S. Steel Corporation subsidiary that operated a mine in the area, and so the capital cost of the project would be relatively low. The U.S. Steel subsidiary, Quebec Cartier Mining (QCM), was prepared to operate the new mine under contract.

The partners, however, had to spend over C$400m (£251m) to develop the mine and build a plant to convert the ore to pellets. Almost all the money came from private loans from financial institutions, supported by what turned out to be onerous guarantees.

The partners, which included Sidbec (50.1 per cent), BSC (41.67 per cent) and QCM (8.23 per cent), undertook to buy all the mine's output in proportion to their equity stakes at an arbitrary price.

It was also agreed that if any partner dropped out, it would have to repay all the venture's loans, not just its share of them.

Sidbec-Normines was in trouble even before production began in 1979. Steel markets were depressed and world iron ore prices had plunged far below the so-called Great Lakes price on which the venture was based. For example, the Great Lakes price is now about U.S. $60 a tonne, compared with a world price of around $27 a tonne.

That means that BSC, which had to take close to 2.5m tonnes a year from the venture, has been paying about £20m more a year for such ore than if it bought it on the open market. For Sidbec, the situation was even worse, because it needed only a fraction of its offtake, and had to sell the rest on the open market at a heavy loss.

The strict original terms of the deal and the varying interests of the partners made it very difficult to renegotiate. QCM, for example, was not suffering to anything like the same extent as the two others. Its losses on its required ore purchases were more than offset by its management fees and equipment rentals.

This autumn, after two years of discussion, a solution was found. As part of a 15-year agreement reached in October, the Sidbec-Normines mine at Fire Lake is being closed. Sidbec and BSC will shift their orders to the struggling U.S. Steel mine nearby at Mont Wright. They will pay no more than the going world price, but the additional volume will help to staunch Mont Wright's losses. For its part, U.S. Steel will lease the Sidbec-Normines pellet plant for $1 a year and keep it open.

One consequence of the closure of Fire Lake and a related ore concentrator to trigger the Sidbec-Normines loan agreements, which is why BSC had to make a provision in its half-year accounts, published on Monday, for £103m.

BSC commented: "What seems a good idea at the time, ain't necessarily so."

THE ARTS

Television/Christopher Dunkley

The good, the bad and the indifferent

Before it is overlaid in the videotape of the mind by Christmas schmaltz we should give an admiring wave to BBC1's *In At The Deepe End* which provided much innocent pleasure and, in a henevolently insidious way, remarkable amounts of fresh information about certain highly publicised professions. There is nothing new, of course, about sending out intelligent but ordinary chaps to try their hands at unfamiliar jobs. Not only was there a previous series of this programme, but other people—back to and beyond George Plimpton—have done it before. However, danger has usually been the keynote in the past: Max Boyce has roped steers, ridden bucking broncos, and played American professional football. Others have walked tightropes, worked as stuntmen, and tried to keep up with the Commandos. Instead of comic book glamour of that sort *In At The Deep End* chose suburban fantasies, with Chris Serle trying his hand as a professional snooker player, opera singer and auctioneer, and Paul Heiney having a go as a film actor, sheep dog handler and fashion designer. Neither man was notably successful in any of these jobs, the difficulty of which was thus emphasised just as our regard for those who do excel at them was increased. The irony is not only that Heiney and Serle's own television presentation almost certainly calls for even more of the one quality which all these jobs require: The self confidence to perform in public.

Toyah Wilcox in The Ebony Tower

Fashion is as fickle in the field of "caring" programmes as it is in the King's Road. Eighteen months ago the schedules were chock-a-block with programmes about rape: Documentaries about rape, dramas about rape, descriptions of rape crisis centres, late night discussions of rape and so on. Nor was this limited to Britain: at international television festivals rape programmes were falling over each other to get on the screen. But at this year's major festivals in North America and Europe there wasn't a single rape programme to be seen. Instead, child sex abuse was everywhere. At Banff in the spring we saw *Something About Amelia*, an excellent drama-documentary from ABC Theatre about incest in a middle class American family. At the Prix Italia in September it was *L'Inceste: Les Amours Interdites*, an exhaustive documentary review of all combinations (father and daughter, mother and son, brother and sister, etc). And now our own networks have taken up the cause. Channel 4's *Twenty Twenty Vision* is running a series of three programmes on "Child Sex Abuse" and last week's *Forty Minutes* on BBC2 was devoted to "Rent Boys": young male prostitutes.

What will television turn to once those presenters with wrinkled frowns and the—Bizarre habit of taking——Breath pauses in wholly illogical places have——Tied a bow on top of child sex abuse and put it back on the shelf? Not transvestism—we had a blitz on that just before rape. How about lesbianism?

*

Last Thursday in my short daily piece on this page I welcomed BBC1's three part adaptation of *The Secret Servant*, promising that if track records were anything to go by it ought to make splendid entertainment since the book had been written by Gavin Lyall and the adaptation undertaken by Brian Clemens. It all goes to show how misleading track records can be. The series, stripped across three successive nights with Charles Dance (the beefcake from *Jewel In The Crown*) playing the supercool secret servant, turned out to be not roast beef and Yorkshire but bubble and squeak.

Not that there was any lack of ingredients: a cynical university professor whose passions were nuclear strategy and busty blondes, a defecting female agent from Czechoslovakia, a dreadful wartime secret, and plenty of Whiteball corridors for people to scuttle through like characters in a John le Carré novel . . . But even though money had been spent on locations and "production values" it did not work; there was too much attention to cosmetic detail and too little to plot detail. This was symbolised by a too-clever-by-half shot of massed wellington boots which no doubt appealed tremendously to the designer and director, but prompted in the viewer the desire to know who precisely was supposed to have ascertained the shoe sizes of all the visiting arms buyers. Why did the Irish police allow the red agent aboard the houseboat? And when Maxim stabbed him why did he meekly agree to go away and take the police with him? What was Agnes doing in Luxembourg? And what was the significance of all the blood on the floor in the opening shot? Or was it a leak from the rain which fell so unoriginally throughout the series? It is one thing to slide airily past the details if you have a cast and an atmosphere as strong as *The Big Sleep's*, but if not and you go for a Deighton-type puzzle then the pieces must all be there and they must fit.

*

Another lesson in not trusting track records came from Granada on Sunday. With *Brideshead Revisited* and *Jewel In The Crown* they proved themselves capable of producing some of the best television drama in the world. But with *The Ebony Tower* they showed that such success doesn't automatically result from hiring a collection of the biggest names in the business. John Fowles (author of "The French Lieutenant's Woman") wrote the original story, John Mortimer (who so brilliantly adapted *Brideshead*) was the adaptor, Laurence Olivier starred as the old reprobate Breasley, a painter living in a French forest with two nubile young women, one portrayed by rock star Toyah Wilcox, and the visiting young man was played by Roger Rees or Nicholas Nickleby as the world knows him. It was all very pretty to look at, what with the nice French locations, and director Robert Knights achieved a fine atmosphere of sexual tension if not any powerful sense of the aesthetic argument between the young and old artists. But at 90 minutes it lasted longer than the story justified, and any honest viewer with no previous knowledge of the cast would have to admit that the best acting came from Greta Scacchi as "Mouse," Breasley's chief paramour. It was a production in which the whole was disappointingly rather less than the promise of the parts.

*

Having succeeded with such diverse television undertakings as *Monitor* and *Alice In Wonderland*, *The Body In Question* and *King Lear* Jonathan Miller's announcement that he was abandoning the box to return full time to medicine seemed a pity. We have lots of doctors but, with Jacob Bronowski dead, where was television to look for another Renaissance man? Happily it seems from last week's *Horizon* that we can still expect Miller to appear at least in medical programmes and, that being so, it will be no surprise if his farewell to television ends up challenging that of Callas to the opera house in its longevity and repetitiveness. Let's hope so. That said, the story of Ivan Vaughan's battle with Parkinson's disease raised all the old doubts about voyeurism even though Miller's presentation and interviewing were so sympathetic yet unsentimental. It was, of course, fascinating to see Vaughan staggering into the garden to swing a golf club as a ritual means of psyching himself up (or calming himself down, or fooling one half of his brain) preparatory to eating a bowl of porridge. But then the Victorians found the Elephant Man fascinating, didn't they? The difference on this occasion was that Vaughan has virtually turned himself into a living experiment and had asked Miller (not once but repeatedly, I understand) to visit him. If only Patrick Uden's programme had stated this at the start all sense of exploitation would have disappeared. It was yet another of those countless occasions when a few clear words of editorial explanation could have transformed an entire programme. Miller's throwaway line ". . . that was why he invited me to observe . . ." just wasn't enough.

Greta Scacchi and Laurence Olivier

Intimate Exchanges, Ambassadors

Michael Coveney

Alan Ayckbourn's series of interlocking plays set in and around Bilbury Lodge Preparatory School and performed by a cast of two, Lavinie Bertram and Robin Herford, opened at Greenwich in June. Each of the eight plays had an alternative development, so there were, in fact, 16 original pieces. Martin Hoyle has dealt with the overall scheme in these columns. Paying my first visit this week to the suburban mini-*Ring*, I have two immediate thoughts: I have not enjoyed myself so much in Ayckbourn's company for a very long time; I want to see more of the sequence.

The Ambassadors is presenting five of the plays (or rather, 10) and we are now on Play 3, *A Pageant*. (This runs until January 5, followed by *One Man Protest* and *Affairs in a Tent*.) What I need from the management (apart from improved service in the stalls bar) is a weekend blitz, in which I can see all 16 plays performed one after the other and so deepen my friendship with, for instance, Rowena, who is said to be like Heathrow Airport, people landing on her end taking off every seven minutes.

Principal characters in *A Pageant* are the alcoholic headmaster Toby; his wife Celia; their domestic help from the village, Sylvie; and the school groundsman Lionel Hepplewick (who later starts up his own business, Heppie and Wick, having gone into partnership with himself). In Act One, Lionel is clearing out the shed, Celia is in a state, and long-haired Sylvie is trying to improve herself by sharing Toby for tuition while simultaneously planning, then achieving, a more basic contact with Lionel.

In Act Two, Lionel has erected a rickety stage whereon will be performed the tale of Boadicea. Sylvie and Celia are in deadly competition for this role while Ayckbourn threads through the comedy one of his painful, elegiac cadenzas to a disintegrating marriage.

A tremendous row flares between Toby and Celia on the pronunciation of the queen's name. A syllable is all it takes. In her paté-coloured two-piece, Celia is abused as "a pretentious roll of sausage meat." (In the first act, Sylvie is accused by Lionel of being "a bloody ice lolly on legs.") Earlier on, Toby reflects that the woman he will have known for longest in his life has never been seen by him without her clothes on.

Such passages are played superbly, Lavinia Bertram hints at the desperation behind the years of fiddling resentments then switches irresistibly to Sylvie, dangling; a calculating tongue and perpetually moving her right foot to and fro through 90 degrees with an air of vindictive confidence. This Sylvie is indeed a brilliantly executed comic creation, right up to the final entrance (after an offstage scuffle with Celia) as Boadicea in an absurd rollation of tattered skins, thus prompting Toby to remark upon her likeness to a shaved chimp.

Ayckbourn's own production would be improved with slicker scene changes—preferably done with the curtain in—and better wigs. But I have nothing but praise for Ms Bertram and Robin Herford, both of whom originated this extraordinary project with the author up at the Scarborough home base.

Hard times ahead for the arts

Antony Thorncroft

The Arts Council expects to hear early next week how much money it is to receive from the Government for 1985-86. It is not anticipating good news. The best it hopes for is a rise in line with inflation which in the labour intensive arts industry would mean a slight cut in real terms. But rumour suggests that the increase will be no more than 3 per cent on the £102m it had to distribute to its clients in 1984-85.

Already the Arts Council has been preparing arts organisations throughout the country for a difficult year. It announced recently that it had allocated all the £1m it had set aside for emergency aid in the current financial year and that it had no more money to support regional touring by drama companies.

While the Arts Council has been signalling frantically to the Government for more money its clients have been putting similar verbal pressure on the Council. The Royal Exchange Manchester has perhaps been the most vociferous; the Royal Opera House Covent Garden the most urbane.

The National Theatre has at last woken up to the fact that being a good steward in recent years has meant that it has not got comparable grant increases to the much noisier RSC and has just staked its claim for a generous rise in 1985-86.

All are likely to be disappointed and next year could prove a very tough year financially for the arts. What compounds the problems are the fast approaching abolition of the metropolitan councils, generous supporters, in the main, to the arts, and rate capping for some of the local authorities who would be expected to make good some loss in arts cash from the mets. Arts sponsorship, although holding up very well at over £15m, can no way make up for straitened local authorities and Arts Council.

The shortage of cash has already inhibited the Arts Council's strategy, outlined in last year's reports *Glory of the Garden*, of giving more money to the regions at the expense of London. After successful appeals by companies who had to lose grants to release resources for the new initiatives the money available has been much reduced.

The policy of earmarking by the Government, which followed the Priestley Report's recommendations that the RSC and Covent Garden deserved extra revenue, also seems to have been abandoned, even though Priestley advised more cash for the two companies for three years.

For all the noise made by theatres, orchestras, etc, they very rarely go out of business. A slight cut in subsidy will just mean a safer repertoire, skimpier productions, and perhaps more joint ventures. Some of the studio theatres that have mushroomed recently may have derk months. In the short term the Arts Council may decide that the fairest solution for 1985-86 will be to share out the money available evenly rather than rob some Peters to hotster some favoured Pauls.

This easy answer will give the Arts Council more time to tackle the problems of 1986-87, the real crunch year. Next December it has been promised £16m more money on top of its usual grant, but with it the council has to run the South Bank arts complex and make up for the loss of the GLC and the other mets.

The money will not be enough; the organisational problems are tremendous; the sniping will be intense. The arts can expect two very lively years.

Onegin/Hippodrome, Birmingham

Clement Crisp

Despite a sudden cast change—Natalya Makarova was scheduled to make her British debut as Tatyana but a muscular cramp allied to a long delay on the motorway precluded her appearance—London Festival Ballet's *Onegin* looked stronger than heretofore on Monday night. The production is helped by the Hippodrome's deep stage: Patricia Ruanne, who took over the role of Tatyana, brings to the role a developing emotional momentum which culminates in a storm of feeling in the closing scene: Peter Schaufuss and Alexander Sombart are well matched, well contrasted as Lensky and Onegin. (The only disadvantage to the use of the Birmingham stage is that it increases my suspicion that the design for Tatyana's bedroom is *Scheherezade's* harem made from confectioner's paper doileys).

Onegin wastes no time in making its dramatic points, and characterisations are direct, four-square. The merit of Festival's playing is that the roles are given with an equal absence of fuss. Lucia Truglia's Olga is a sprightly girl, her relationship with Lensky one of lyric charme. Even the fatal flirtation at Mme Larina's party seems yet another aspect of their immaturity, and presented thus it makes sound dramatic sense. It is only with Lensky's solo preceding the duel—the entire passage tautly done by Peter Schaufuss and Alexander Sombart—that we understand the fierceness of Lensky's obsession with honour.

Mr Sombart's brooding Onegin, forever holding the world at arm's length, is a strongly projected reading of a handsome, unquiet hero. He is also a fine partner, and his duets with Tatyana, which are the choreographic crux of the piece, are admirably done. Miss Ruanne, as the girl Tatyana, looks at first so lost in romantic dreams that the character appears almost conventional. But from the party scene, and magnificently in the Petersburg act, she brings an emotional charge to her portrayal which fires the role and the dance. Her desolation at the party, the grief she conveys through immobility at the duel, and the blaze of the last interview with Onegin tell of a role fully comprehended.

The support from the company was brave, that from the orchestra rather less so, but the final curtain brought cheers and prolonged applause. I mention this since it is worth noting that with *Onegin* on a Monday night, traditionally a "bad" box office evening, the Hippodrome was well-nigh full. It is testimony to Festival's drawing power, but also to Birmingham as a city with a superb dance house and an audience eager to fill it.

Susan Kessler/Wigmore Hall

Max Loppert

The Auatralien mezzo-soprano Susan Kessler has been e regular London recilalist over the past few years, thereby winning herself a following. Monday's concert bore out the reputation. Miss Kessler's virtues are solid ones— she is a carefully prepared, well-schooled mualclan and linguist and an bonest vocalist — and they carried her sturdily through a programme designed to test prowess in both the centre (Brahms) and the outer-lying areas (rare Slavonic songs in the second balf, s group of Percy Gralnger arrangements to close off the recitslist'a field.

A doubt concerned not so much the quality of the performances themselves as where thety stopped, and what they failed to provide; the actual vocal timbre, warm and vibrant, and a rouple of free-flowing phrases suggested a potentiality of power (particularly in higher registers) end "release" that was in fact seldom tapped. The vocal method itself may be responsible for the constraint one sensed in passages intended to allow lbe singer to open out —in the Brahms group climaxes were effortless, witb uncertainties of intonation attendant upon them. Five Grieg songs, including the delicious "With a water-lilly" successfully invited a widening of range, but the general impressioo remained one of conscientious endesvour (which answered for the care taken over Nordic pronunciation) rather than strikingly imsginative response.

In the serond half, gypsy songs by Bendl, Novak, and Dvorak cnntinued the process, and the Grainger selection of folk-songs curiously perceived and brillianlly transcribed rompleted It: in the closing number, "The Old Woman at the Christening," with Geoffrey Parsons (on his most courteous, unruffled form earlier) at the piano and Roger Vignoles msking a brief sortie on the barmonium, Miss Kessler echieved the evening's nearest and most convincing approach lo genuine frcedom of atylc and sound.

Arts Council bursaries for dance

The Arts Council ia awarding bursaries of £1,200 each to Judits Bird, Evelyn Lichota and Karin Wilkinson to enable them to taein as dance animaleurs, and £2,000 tn Debi Barnard to traln as a mime animateur.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Dec 7–13

Theatre

LONDON

The Real Thing (Strand): Jenny Quayle and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stoul moral conclusion and s rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and o dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hol gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is s genuine tonic: American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Mother Courage (Barbican): Fine RSC presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as s scavenging, music hall and finally moving Courage pushing ber elaborate cart of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stephen Moore and Zoe Wanamaker. (628 8795).

Phedra (Old Vic): Glenda Jackson remarkable as the oearly incestuous tragic queen in a thrilling production by Philip Prowse. Costumes of shot silk and taffeta, and Robert David MacDonald's translation bravely takes on the challenge of Racine's untranslatable Alexandrines. Gerard Murphy, Tim Woodward and Georgina Hale in a strong cast. (928 7616).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this hotel, and I'm not having any of it." Not to be missed. (379 5399).

NEW YORK

Sunday in the Park with George (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring Georges Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, s la Supremes, without the quality of their music. (239 6200).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rodgers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): If be wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

Noises Off (Brooks Atkinson): Dorothy Loudon brings Michael Frayn's backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (245 3430).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Glengarry Glen Ross (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with a Pulitzer Prize for his latest work that pits fast-talking real estate salesmen against the world and each other. (239 6200).

Balm in Gilead (Minetta Lane): John Malkovich's energetic but nostalgic revival of an early Lanford Wilson play brings back the wide-eyed, drugged out 1960s and 70s to the accompaniment of Bruce Springsteen songs. (420 8000).

Quilters (Jack Lawrence): Based on American pioneer women's descriptions of their work in making quilt blankets, Molly Newman and Barbara Damashek's musical arrives in New York remounted from its modest origins in Denver. (307 5452).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

WASHINGTON

Crossed Words (Folger): A Christmas season pantomime is not much of an American tradition, but with John Neville-Andrews, an English head of the company, and the Globe Theatre as the setting, there is hope it can still catch on. Ends Jan 6. (546 4000).

FINANCIAL TIMES

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Wednesday December 12 1984

The reform of local councils

PARLIAMENT today begins detailed consideration of the most important constitutional issues of the current session—the abolition of the Greater London Council and the six metropolitan county councils on April 1, 1986.

The Conservatives have had an unhappy time with hastily drafted local government legislation which has attracted widespread criticism from all sides of the Commons. It is usually been left to the House of Lords—unelected and unaccountable—to come to the rescue and eliminate at least the most contentious affronts to the constitution. The most recent example was their rejection of the central part of the "paving" bill, which proposed to substitute the existing councils with nominated councils (changing political control in London into the bargain) between next May's election date and abolition day.

Opposition to the abolition proposals implies neither support for the more far-fetched antics of Mr Ken Livingstone at the GLC nor a belief that the present structure for urban (or shire) local government is satisfactory.

But there are certain criteria which must be fulfilled for changes to be acceptable.

Arrangements

The first is that the new arrangements stand a reasonable chance of being an improvement on the old. The second is that accountability is not reduced, so that pressure for efficiency and sensitivity to local aspirations is not diminished. The third is that democracy and democratic principles are neither weakened nor violated.

The Bill fails on all three counts. If the view that political malice is behind the Bill is to be discounted, the proposals have to be judged as an attempt to improve the system of devolved government by moving towards unitary multi-service authorities.

But by decreeing the end without giving any thought to the means the Government has produced proposals which move backwards from the concept of unitary councils.

It has become clear, for example, that only a very small proportion of the expenditure of the seven threatened councils can be handed directly to the London boroughs and metropolitan districts. The rest—around 80 per cent in the county areas and 70 per cent in London—has to go to non-elected joint boards and quangos.

The three key areas requiring amendment are the Government's reserve powers, joint boards and London. The Bill is littered with reserve powers to give a degree of centralised control over local issues which makes efficient service provision less, rather than more, likely.

Conundrum

The way out of the joint board dilemma requires a move back towards the democratic electoral process — perhaps by putting that key fire and police services into a single elected authority. These are the two major and most expensive county services. They cannot sensibly be handed down to the lower tier of government, but are arguably too important to the local populations to be handled by joint bodies which are not directly accountable.

London is a conundrum. At least in the metropolitan areas the major cities such as Leeds, Liverpool, Manchester, will still have a city-wide authority after abolition. The capital will not. The Government has had no answer to critics who point out the absurdity of ignoring the common interests which exist between the disparate villages and communities which make up one of the world's largest and most important capitals. The case for abolishing the Greater London Council is clearly much weaker than for the metropolitan counties and, on present evidence, ought not to proceed at all.

An opportunity for sensible reform has been missed. But there is still a chance of improving the Bill. Whether the Commons rises to the challenge or passes the buck to the Lords will itself say much about the present state of constitutional debate.

Rational view of insolvency

THE MAIN purpose of the Government's Insolvency Bill is to persuade companies in financial difficulties to take remedial action before it is too late. That is what Mr Alex Fletcher, the Trade and Industry Minister responsible for the legislation, argued yesterday. This is a laudable objective and the signs are that the Government may be at least partially successful. Economic failure may be part of the market process, but too often assets are lost unnecessarily; fundamentally sound companies fail to weather bad times because outside help is not sought soon enough.

The Government is using both a carrot and a stick to persuade company directors to take earlier remedial action and generally to think more positively about their "functions and responsibilities." The carrot is the invention of a new type of corporate rehabilitator — the "administrator" who will act on behalf of all creditors, not just debenture holders, and will be able to impose a 12-month moratorium on debt repayments. Mr Fletcher's hope is that companies in difficulty will call in an administrator before they would have contemplated receivership in order to gain the protection of the moratorium.

Disadvantage

Insolvency practitioners disagree about the likely effectiveness of administrators. One problem is that debenture holders will retain the right to veto an administrator's appointment and instead install a receiver to look after their interests. Another disadvantage is that the the administrator approach falls short of the U.S. Chapter 11 treatment of incipient corporate failure. Under Chapter 11, a company's existing management can gain protection from creditors while it attempts to reorganise the business as a going concern. Managements are unlikely to wish to cede executive control to an administrator as early as they would themselves attempt a reorganisation under a full-blown Chapter 11 provision.

More attention, however, has been focussed on the stick with which the Government intends to beat irresponsible directors who shirk necessary action. When financial problems multiply, directors will have plenty of options: they can install a "company doctor," appoint an administrator, accept a receiver or opt for voluntary liquidation. If directors spurn all of these options and wait to be forced into compulsory liquidation by creditors, the Government intends to subject them to automatic disqualification for three years.

Mr Fletcher has been right to insist on this disqualification condition in spite of strong criticism by bodies such as the Institute of Directors. It should help to eliminate the problem of "delinquent directors." If it forces businessmen to think twice before they accept a quiver of non-executive directorships, this is all to the good. The Government is also right to insist that the wording of its new civil liability of "wrongful trading" remain reasonably tough. Limited liability, as Mr Fletcher maintains, is a privilege. Some degree of personal liability on the part of directors who have allowed a company to continue trading when they knew or *should have concluded* liquidation was inevitable is appropriate.

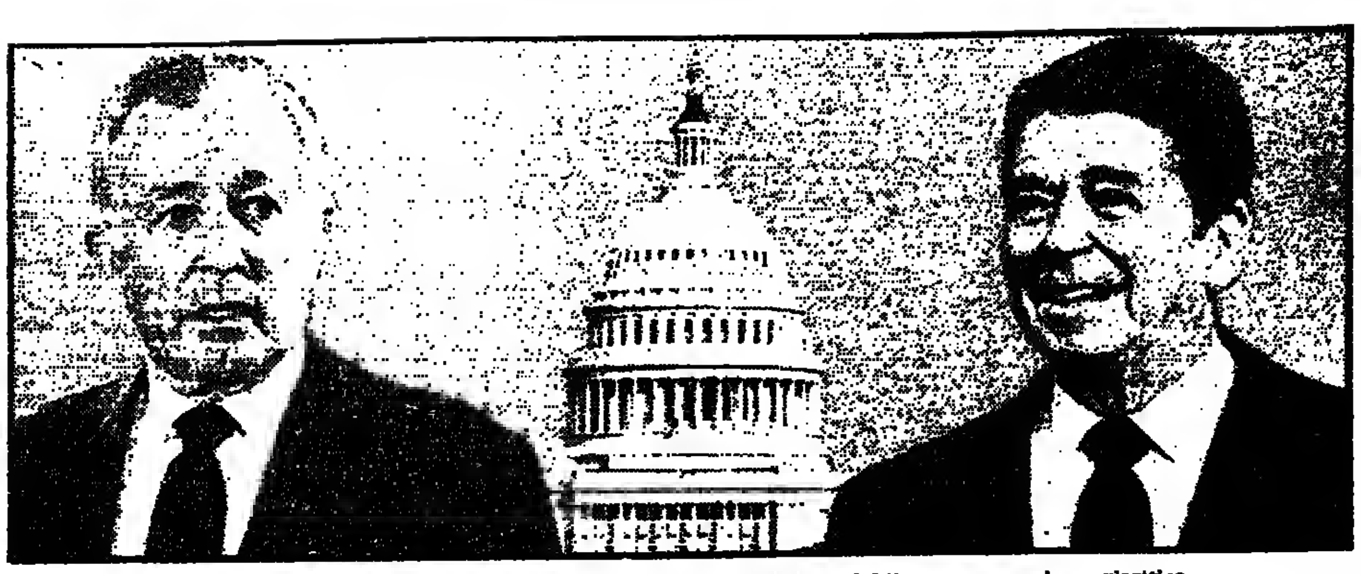
Sweeping

The Government's Bill may be the first major reform of insolvency law in 60 years, but it falls short of the sweeping changes proposed in 1982 by Sir Kenneth Cork's review committee. Many of Sir Kenneth's procedural changes—the setting up of new insolvency courts, for example — were incompatible with the Government's desire to save money. The Bill will lead to a cost saving of £½m and a reduction in the Insolvency Service's manpower.

Nor will ordinary unsecured creditors get as good a deal as Sir Kenneth had urged. A main plank of the Cork recommendations was a drastic scaling down of the Government's rights as a preferential creditor. Under prodding, Mr Fletcher has at least agreed that public utilities in future will not be able to pull the plug on receivers' reorganisation efforts by switching off a company's water or electricity. But the public sector's privileges could have been cut much further: there is no reason why unpaid PAYE, for example, should be collectible more than three months' in arrears.

In spite of the shortcomings, the Insolvency Bill should lead to a marked improvement in an out-dated and complex part of British law. Moreover, the Bill is an improvement on the White Paper because ministers have been prepared to heed sensible representations. The Government's performance on both scores augers well for the reform of other anachronisms, such as parts of tax law.

U.S. TAX REFORM



Mr Donald Regan (left): an uphill battle. President Reagan (right): more pressing priorities

Mr Regan's package of political dynamite

By Stewart Fleming in Washington

"DON'T TAX you, don't tax me, tax that man behind the tree" is the ditty which can be heard in the corridors of Capitol Hill whenever Washington's politicians are faced with the prospect of raising their constituents' taxes.

It is a refrain which has been heard again in the past two weeks as the U.S. Treasury has released its proposals for what is being fairly described as the most radical reform of the American tax system since the Second World War.

No matter how vigorously Mr Donald Regan, the Treasury Secretary, proclaims that tax reform is an idea whose time has come, there is widespread agreement that Mr Regan faces an uphill battle if he is to stand much chance of seeing Congress move rapidly to implement root-and-branch tax reform.

For the most vital component of a successful Treasury tax reform campaign is missing, namely wholehearted personal support for the plan he ordered almost a year ago from President Reagan himself.

In his press conference on Friday the President warmly praised the Treasury scheme as "the best proposals for changing the tax system that has ever occurred in my lifetime." But he left no doubt that he is not yet ready to back the scheme as it now stands to the hilt.

One reason for this is that Mr Reagan has more pressing priorities than tax reform. Even Mr Regan is conceding that the budget deficit is priority number one and tax reform, by implication, lower down the list.

Political analysts are, therefore, expecting that even if Mr Reagan does signify support for a modified tax reform package in his State of the Union message next month, the White House will follow a two-track approach keeping the budget and tax issues separate. Mr Reagan is determined not to be the man who encourages Congress to turn tax reform into a Trojan horse for sneaking a deficit reducing tax increase past the people.

The President's cautious reception for the Treasury proposals also reflect the fact that the plan is political dynamite. Moreover, the benefits to the U.S. economy which the Treasury is claiming for the scheme, are being widely challenged.

The rave reviews for the Treasury scheme have come largely from academics specialising in tax issues, such as Mr John Makin, a tax specialist at a leading Washington economic think-tank, the American Enterprise Institute.

He says that by reducing the tax incentives to borrowing embedded in the current tax system the Treasury plan could permanently lower nominal U.S. interest rates by as much as two percentage points, something which would benefit the U.S. and world economies, and through its impact on the cost of servicing the national debt make a major contribution to reducing the Federal budget deficit. It could also help reduce the value of the dollar, he suggested.

But satisfying as the praise of academics may be to the White House, political reality is that a mind-boggling array of interest groups, many of them dues-paying members of the Reagan Administration fan club, are already flexing their muscles in opposition to the Treasury proposal.

They include state governments, charities, wealthy individuals who can see their tax shelters being eroded and, most ominously, a daunting cross-section of the corporate sector. For although the Treasury's scheme is designed to be revenue-neutral—that is, it will not result in an overall increase in the Government's tax take—it does envisage a startling and painful shift in the distribution of the tax burden towards the corporate sector and between different industries.

President Reagan referred to this shift coyly in his press conference on Friday as a movement towards making companies pay a fairer share of the nation's taxes. But it would mark a dramatic reversal of tax policy by his Administration. Since 1980 the share of total Federal tax revenues provided by the corporate sector has declined from 12 per cent to around 8 per cent. It had been as high as 25 per cent in 1950.

Now the Treasury estimates that by the time its new scheme becomes fully operational, companies would be paying around 24 per cent more in taxes than would otherwise be the case, even though the corporation tax rate would be lowered from 46 per cent to 33 per cent. Over 90m taxpaying individuals (and voters) would be paying on average 8.5 per cent less tax.

This shift, which has provoked a storm of protest from corporate lobbies, reflects in part the bold innovations which the Treasury has incorporated into the plan for company tax reform, innovations which make the scheme far more radical than was generally expected.

Thus the Treasury recommends the wholesale indexing of the corporate sector against inflation—its interest income and expenses, its assets for depreciation purposes and its stocks. It would also eliminate a range of special company tax breaks, for example, for oil companies and financial institutions.

The aim is to try to encourage business to base its decisions and the financial markets allocate capital on economic grounds and diminish the distorting influence of tax rules and inflation on the economy. This would eliminate as far as possible what the Treasury refers to as "an insidious form of industrial policy" which exists when the tax system favours one corporate sector over another.

The most controversial element in this radical approach to corporate taxation is the proposal to scrap the long-established investment tax credit and the system of accelerated depreciation which President Reagan introduced in 1981, partly to compensate companies for the impact of inflation on the value of their assets and their balance sheets.

The Treasury plan would require companies to adjust the value of their assets for inflation and establish a new depreciation schedule based more closely on the estimated economic life of their assets. The impact of such a change would be enormous. The Treasury has estimated that accelerated depreciation and the investment tax credit are worth around $60bn a year to the corporate sector currently.

Looking at the prospective loss of these tax breaks, some economists are arguing that the Treasury scheme would not, on balance, improve economic growth through a better allocation of capital, but would have a negative effect on the economy. Mr Richard Rahn, an influential supply side economist at the U.S. Chamber of Commerce, says that the Treasury plan amounts to a tax on investment and, through raising the tax on long term capital gains, on venture capital, and would result in slower economic growth.

On Wall Street there are fears that the uncertainty surrounding the Treasury's proposal could also have an adverse impact on the economy on the short term. That view drew support this week from Federal Reserve governor Mr Charles Partee who suggested that the proposal was "one new negative" for the economy.

In part such fears reflect the fact that, apart from any overall impact on the corporate sector, the Treasury's reform proposals if implemented as proposed now, could hit some sectors of the economy hard.

Such a reform would mean that companies which have profited from the existing system, particularly capital intensive companies, companies in the office property business and firms such as General Electric which have organised themselves to make the most of corporate tax preferences, could expect to see these advantages whittled away.

Conversely, new big tech concerns, which do not have huge capital investments against which they can claim tax credits, might benefit. The scope for winners and losers was underlined by a study by the Congressional Joint Tax Committee released earlier this month. This showed that whereas the chemical industry in 1983 had a negative effective U.S. tax rate (minus 1 per cent), and the construction industry paid only 0.7 per cent of its earnings in tax, food processing companies had an average tax rate of 26 per cent and wholesalers 35 per cent.

While the Treasury scheme is seen to be most innovative in its suggestions for taxing the corporate sector it would also have a major impact in individual taxation, particularly on those who have been making the most of the innumerable tax loopholes which the Treasury recommends should be closed.

Major tax reform is not new on the U.S. political agenda. Efforts in the 1950s, in the early 1960s and again during the Carter Administration all failed to secure Congressional approval. Mr Regan has made it clear that the Treasury scheme is open to modification—written on a word processor was the phrase he used—and his officials are now engaged in what some tax experts in Congress see as bargaining process aimed at creating a more politically saleable packge. But it will be up to President Reagan to decide whether there is a chance that fundamental tax reform really is an idea whose time has come.

HOW GE PAID NO FEDERAL INCOME TAX FOR THREE YEARS

GENERAL ELECTRIC is the tenth largest company in the U.S., outdistanced in the manufacturing sector only by General Motors, Ford, IBM and Du Pont.

Since the Reagan tax reforms were introdnced in 1981, it has strengthened its position markedly, its shareholders' funds growing from $8.2bn in 1980 to $11.3bn at the end of last year, and its net cash position jumping from $108m to $1bn. Yet in the last three years it has not paid a single dollar in federal corporate income taxes. Indeed, last year it ended np with a sizeable $35m tax credit.

This unlikely performance is the result of what is generally regarded on Wall Street as a masterly use of the investment tax breaks included in the 1981 measures.

GE has utilised the provisions right across the board, taking advantage of them both in its manufacturing activities and, even more importantly, in its large and rapidly-expanding financing company, General Electric Credit Corporation (GECC), one of the largest financing companies in the U.S. GECC's development of its leasing business has been the key component in generating its credit position with the U.S. federal tax authorities.

The finance business is not consolidated by GE in its annual accounts, mainly, it says, because it would be confusing to mix GECC's business with its manufacturing activities. But to arrive at its final Federal tax figure as a group, it brings them together in notes to the accounts.

In 1983, the notes show that the manufacturing activities incurred Federal taxes in the U.S. of $657m. Net profits in the same period amounted to $2bn, compared with earnings of $1.5bn in 1980, the year prior to the tax changes, and a tax liability of $574m. According to the accounts, the group's effective Federal tax rate has fallen from 38.4 per cent in 1980 to 32.1 per cent last year — compared to a statutory rate of 46 per cent.

The real financial kicker, however, has come from the dizzy growth of GECC. The finance company expanded its leasing activities to take advantage of the 1981 changes, giving more generous tax credits and accelerated depreciation.

By buying equipment which it could then lease to other companies which could either not afford it or did not want to own it, GECC has been able to run up very sizable tax credits. In 1983, these amounted to $692m. The parent company then arrived at its final Federal corporate income tax bill by deducting its own $657m of payable taxes from GECC's $692m of tax credits.

According to the citizens for Tax Justice pressure group, other big U.S. companies, such as Tenneco, Boeing, Dow Chemical and Du Pont have also reduced their federal tax payments virtually to nil through deft use of the 1981 Act. But mainly because of its activities in leasing, GECC has attracted the main brunt of public attention and criticism.

The company argues in its defence that its leasing activities have successfully achieved what the Treasury set out to obtain, facilitating investment by companies that would otherwise have been unable to finance new plant and equipment. In effect, GE has used financial instruments to invest in the hard assets of other corporations.

Terry Dodsworth in New York

Men and Matters

Job for the Queen's man

Enter, stage left, the Queen's Remembrancer—one of those obscure Gilbertian High Court characters who from time to time are thrust into the public gaze. (Remember the Official Solicitor being whealed out of the shadows to secure the release of dockers jailed by the National Industrial Relations Court back in the 1970s ?).

The present holder of the office, John Bickford Smith, a former practising barrister, has been brought in to act as Grown debt collector.

As senior Master of the Queen's Bench, his usual job is to deal with pre-trial procedural issues in court actions. Now he has to prise from the Transport and General Workers' Union, the £200,000 contempt of court fine which it has declined to pay.

The office of Queen's Remembrancer goes back to the time of William the Conqueror and was first defined in the Exchequer Ordinances in 1323. The original purpose was to establish a record-keeper to list and collect debts owed to the Crown.

Since 1948, the office has been almost entirely ceremonial, activated only for two of the more picturesque City rituals.

Each February, the Queen's Rememberancer presides over the Trial of the Pyx, a symbolic trial of all the coins of the realm to see whether they comply with the regulations laid down in the Coinage Act as regards their composition and weight.

It is one of the oldest surviving ceremonies, having first been held in 1282.

Even older is the Ceremony of the Quit Rents — dating from 1211 — which involves the payment by the City of London of rents for two pieces of land — one in Shropshire and the other in the parish of St Clement Dane in London.

Each October, the Queen's Rememberancer recieves the rents — blunt billhook and six horseshoes and 61 nails.

His only other public appearance is usually at the Lord Mayor's Show.

"Airline style food now! I suppose it'll be diversions to Prestwick and luggage in Stockholm next."

The taxman goeth

Her Majesty's inspectors of taxes are apparently deserting her in large numbers for the richer rewards of the private secor.

No wait. Don't celebrate yet. They haven't all gone. But the taxmen's trade union—the Association of Her Majesty's Inspectors of Taxes—reports that more fully-trained people have resigned in 1984 than in any other year. Sixty inspectors had handed in their notice by the end of last month and a further 25 trainees had gone.

That may be only 3.3 per cent of the total—but the Association stresses it is two and a half times the number of resignations a equivalent grades in the mainstream civil service.

Promotion blockages resulting from manpower ceilings and (shades of Hitachi) "the age structure of the Inspectorate" are among the reasons for the exodus.

One departing inspector, David Young, the Associations own treasurer, says he is fed up with being "consanly maligned by our employer" and "can no longer afford the privilege of working for the Revenue."

Taxmen point out that one City institution last week advertised a post at a salary of £30,000, indicating that the right person for the job might be a fully-trained inspector or an Inspector Principal. The salary for the Principal grade in the civil service runs from £12,895 to £17,489.

Legal aid

The descent of the American legal profession upon the stricken Indian city of Bhopal is a bizarre sequel to the Union Carbide gas disaster of 10 days ago.

Six years ago U.S. lawyer John Coale was making £50 a day from his winnings at the black jack game at a club in Portsmouth, Hampshire.

Today he is in Bhopal preparing claims of over $1bn for people affected by the gas, and for the relatives of the dead.

Coale was the first of a stream of U.S. lawyers arriving in the city for what some think will grow into one of the biggest compensation claims in legal history.

Coale, aged 37, was living in Portsmouth a few years ago taking a year off from his law work in Marlyland. He was tempted by the sea during his English sabbatical, bought a 35-foot sailing boat, and set off in search of adventure.

Disaster struck in February 1979 when he lost his mast 50 miles off Cape Finisterre and sank. Portuguese fishermen saved him from a liferaft.

He went back to the U.S. to earn some money and by the year's end he was representing a group of American Iranian hostages. Big claims for clients in difficult circumstances became his stock in trade. Before he left the U.S. hurriedly for Bhopal last week he was working on claims to make insurance companies pay for the cost of organ transplant operations.

Coale talks animatedly about the rights of Bhopal slum dwellers to receive compensatio for pain and suffering equal to the grand amounts that likely would be awarded to U.S. citizens in comparable circumstances.

That is an argument that is likely to cause consternation in New York and London insurance markets. Coale was much less of a problem to the trade last time round when he collected a modest £20,000 form Lloyds for his foundered yacht.

Square dance

Livelier times are in prospect in Trafalgar Square following the news that Jacob Rothschild, aged 48, chairman of Charterhouse J. Rothschild, the City finance house, is to succeed Lord Annan as chairman of the trustee of the National Gallery.

Rothschild joined the 11-strong trustee last July—he was appointed by the Prime Minister. He is believed to have lobbied against the proposed extension of the gallery on to the adjacent site—a plan which caused so many problems for Lord Annan.

Now the plan for an office block for property group Trafalgar House, containing some extra gallery space for the National Gallery, is back to square one.

What has been called "the best site in London" is unlikely to be rebuilt in Jacob Rothschild's seven-year term.

His own taste in art is suitably conservative—he collects British paintings of the 18th and 19th centuries.

Observer

BASE LENDING RATES

A.B.N. Bank	9½%	C. Hoare & Co. †	9½%
Allied Irish Bank	9½%	Hong Kong & Shanghai	9½%
Amro Bank	9½%	Johnson Matthey Bkrs.	9½%
Henry Ansbacher	9½%	Knowsley & Co. Ltd.	10½%
Armco Trust Ltd.	10½%	Lloyds Bank	9½%
Associates Cap. Corp.	10½%	Mallinhall Limited	10 %
Banco de Bilbao	9½%	Edward Manson & Co.	10½%
Bank Hapoalim	9½%	Meghraj and Sons Ltd.	9½%
BCCI	9½%	Midland Bank	9½%
Bank of Ireland	9½%	■ Morgan Grenfell	9½%
Bank of Cyprus	9½%	National Bk. of Kuwait	9½%
Bank of India	9½%	National Girobank	9½%
Bank of Scotland	9½%	National Westminster	9½%
Banque Belge Ltd.	9½%	Norwich Gen. Tst.	9½%
Barclays Bank	9½%	People's Tst. & Sv. Ltd.	10½%
Beneficial Trust Ltd.	10½%	R. Raphael & Sons	9½%
Brit. Bank of Mid. East	9½%	P. S. Refson	9½%
■ Brown Shipley	9½%	Roxburghe Guarantee	10 %
CL Bank Nederland	9½%	Royal Bk. of Scotland	9½%
Canada Perm'nt Trust	9½%	Royal Trust Co. Canada	9½%
Cayzer Ltd.	9½%	■ J Henry Schroder Wagg	9½%
Cedar Holdings	11 %	Standard Chartered ‖	9½%
■ Charterhouse Japhet	9½%	Trade Dev. Bank	9½%
Choulartons	11 %	TCB	9½%
Citibank NA	9½%	Trustee Savings Bank	9½%
Citibank Savings ¶	10½%	United Bank of Kuwait	9½%
Clydesdale Bank	9½%	United Mizrahi Bank	9½%
C. E. Coates & Co. Ltd.	10½%	Westpac Banking Corp.	9½%
Comm. Bk. N. East	9½%	Whiteaway Laidlaw	10 %
Consolidated Credits	9½%	Williams & Glyn's	9½%
Co-operative Bank *	9½%	Wintrust Secs. Ltd.	9½%
The Cyprus Popular Bk.	9½%	Yorkshire Bank	9½%
Dunbar & Co. Ltd.	9½%		
Duncan Lawrie	9½%		
E. T. Trust	10 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Robert Fleming & Co.	9½%		
Robert Fraser & Ptns.	10 %		
Grindlays Bank ‡	9½%		
■ Guinness Mahon	9½%		
■ Hambros Bank	9½%		
Heritable & Gen. Trust	9½%		
■ Hill Samuel §	9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.25%, 1 month 7.00%. Fixed rate 12 months £2,500 8.75% £10,000, 12 months 9.00%.
† 7-day deposits on sums of under £10,000 6¼%, £10,000 up to £50,000 7¼%, £50,000 and over 8%.
‡ Call deposits £1,000 and over 6¼%.
‖ 21-day deposits over £1,000 7¼%.
§ Demand deposits 6%.
¶ Mortgage base rate.

NEW CALEDONIA

Wind of change in a French outpost

By Jurek Martin in New Caledonia

TIME IS a commodity that is not supposed to matter much on remote Pacific Islands. But here, in the French territory of New Caledonia, as well as in the political cauldron of Paris, time has suddenly become of the essence.

For most of the 62,000 Melanesians, otherwise known as Kanaks, a 42 per cent minority in their own land, time means creating the newly independent state of Kanaky by 1986 and, in any event, before the next French presidential election, lest it return a conservative and less sympathetic regime.

For most of the 54,000 Europeans, virtually all French, time means resisting independence forever, or at least until the Socialist Government in Paris is no more. Already, their political allies in France, among them Jacques Chirac, the Mayor of Paris and presidential aspirant, the former President Giscard d'Estaing and even M Jean Marie le Pen, whose far right National Front Party captured nearly one fifth of the New Caledonian vote in this year's elections to the European Parliament, are harrying the Socialist regime at every turn.

For the Mitterrand Government, time had meant a rather stately and considered approach to the agreed goal of the end of colonial status for New Caledonia, with the ultimate Act of Self Determination not taking place until 1989. That time-scale has now been shortened. M Edgar Pisani, President Mitterrand's special emissary, despatched here last week as tension and violence escalated alarmingly, has given himself and all interested parties until February 2 next year to come up with a blueprint for the achievement and transition to independence.

Inevitably, the whole question of the end of one of the last outposts of the French empire invites comparisons with other last stands of colonialism, be they in Algeria, Vietnam or Rhodesia. But each case is different and New Caledonia, hitherto known for its nickel deposits, one third of identified world reserves, for the picture postcards of near-naked women of all hues disporting themselves as on the Riveria, and for the strange derivative of cricket played mostly by women dressed in missionary robes, is no exception.

Some brief history is perhaps in order. Captain Cook was the first European to lay eyes on New Caledonia, and name it, in 1774. France took possession of it in 1853 and used it principally for the next 50 years as a penal colony. Indeed, the first French settlers were prison warders and convicts, who were obliged by law to remain in the territory after they had completed their sentences.

Alan Ward, the expert in Melanesian affairs from Melbourne, has described French administration of the teritory for much of the next 100 years as a combination of paternalism and contempt for the indigenous population.

The situation changed rapidly after the Second World War, which began in New Caledonia with the overthrow by French

Nickel's fortunes have declined since the 1969-70 boom

settlers of the local Pétainiste governor and ended with the presence of several thousand allied troops on the island. Most Melanesians were enfranchised in 1951, which in turn gave birth a year later to the multi-racial political party, the Unione Caledonienne (UC), which was to become the most effective political body for much of the next 30 years.

In general, though, by 1979 a rough three-way consolidation had emerged, featuring the mostly French RPCR, committed to remaining a part of France, the mostly Kanak Independence Front, which claimed to be led by Jean Marie Tjibaou, and a smaller multiracial roughly Socialist middle ground under the banner of the FNSC, which joined a coalition with the RPCR until two years ago when it switched allegiance to the Front.

With tension and violence growing, and attitudes inevitably hardening, the critical focal point became last month's elections to the local assembly which were boycotted by the Front. The RPCR was returned. M Tjibaou promptly proclaimed himself head of the provisional Kanak liberation government known by its initials FLNKS.

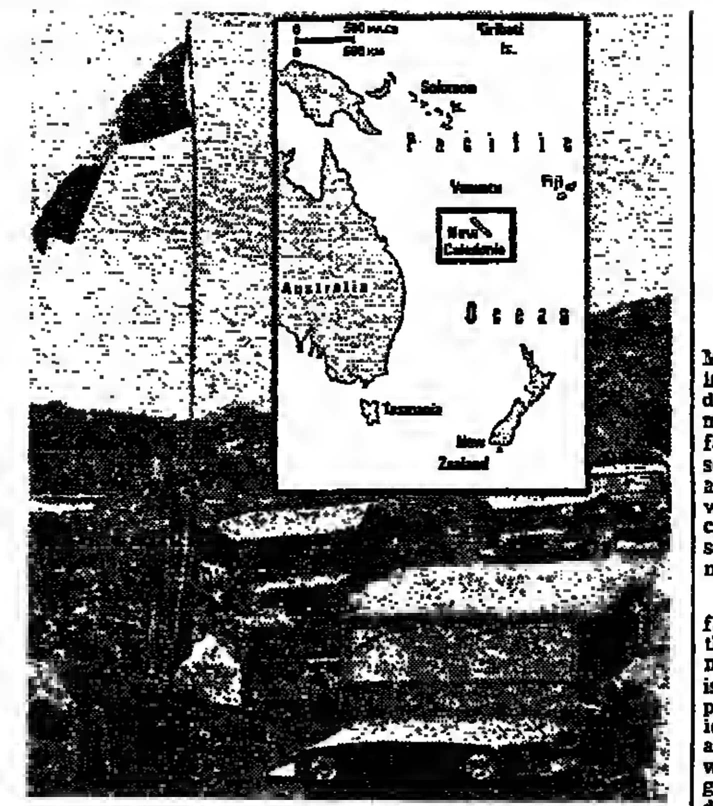
In addition, FLNKS set out to prove that outside Noumea it could effectively paralyse the island, a task in which it has been almost completely successful and which has undoubtedly caused its popularity to rise. France was obliged to send in 1,600 troops to maintain law and order, a tough task in the rural districts as witnessed by last week's ambush in the far north when 10 Kanaks, including two of M Tjibaou's brothers, were murdered.

M Pisani has a formidable taks in trying to square this Pacific circle, leaving aside—which is impossible—the superimposition on the territory of a major political debate in France. The question here, increasingly, is how to get the Kanaks, the French and the 20 per cent of the population who are neither, to learn to live together again, almost regardless of the regime.

It is doubly difficult in an island of such limited economic assets. Nickel, which comprises over 90 per cent of exports, remains the crutch, but its fortunes have declined since the great boom of 1969-70 brought illusory wealth and an influx of immigrants to the territory.

Otherwise, the economy remains basic. Tourism—there is a Club Med—was doing well before the latest round of troubles, with 100,000 visitors a year, one third of them from Australia, an attainable target. This being a part of France, the bureaucracy is a substantial employer and indeed, most of the Kanak leaders come from the Civil Service or the parastate professions such as teaching.

But perhaps a quarter of the Melanesian families still live off subsistence farming and agricultural barter on incomes of, maybe, $30 a month; many of the French outside Noumea are little better off; they bear comparison, say, with the poor whites of the American deep south, and, as there, as fair amount of racial intermingling has occurred in the remote countryside; their salvation has been the land they have been granted and their bitterness has been compounded because in some cases it is being returned to the natives.



French police reinforcements in New Caledonia

The local French leaders, men like Jacques Lafleur, guiding light of the RCPR, and Roger Larocque, mayor of Noumea, are from so-called "Caldoche" families, here since the last century. They are, as one observer put it: "French when they want to be French, New Caledonian when they want to be New Caledonian." But they have in reality nowhere else to go.

The Kanak side is tougher to assess. As recently as summer, it was reasonable to guess that probably less than half were actually committed to independence though that percentage has risen dramatically since. Professor Ward estimated earlier this summer that maybe 20 per cent of them supported the status quo, a leading advocate of which is another Melanesian, M Dick Ukeiwé, who, after last month's election was made head of the official local government. He is highly regarded by the settlers, but it is generally believed, progressively less so by his Kanak countrymen.

The local French claim that the Independentistes are being manipulated by outside forces and that their intention is to turn New Caledonian into a "Cuba of the Pacific." Their evidence rests mostly on the fact that the FLNKS sent a handful of young men to Libya briefly this autumn—the purpose is unknown.

But, objectively, there is little to suggest that the Independence movement conforms to convenient ideological or political patterns. If any external allegiance is sowed, it is to the Pacific neighbour of Vanuatu, which itself earned independence just three years ago.

M Tjibaou is generally considered a man of moderation, poeticism, even distinction. He certainly has a tactical sense in putting pressure on the French Government and in demanding, for example, that those allowed to vote in the Act of Self Determination constitute only those resident in New Caledonia for, in effect a generation; at present only a six-month residency qualification applies and Kanaks are mindful that they ceased to be a majority in their land about 25 years ago.

M Pisani's hardest practical problem will be to come up with an acceptable formula for this final vote, for the policy of the Mitterand Government remains that independence will not be granted against the wishes of the people.

The answer lies not only in this now sullied tropical outpost of France, the capital of which goes about its provincial and apparent calm reflective of an earlier age, but where the countryside is littered with burned-out cars and houses, dead cattle and frightened people. It also lies at the heart of metropolitan France, among politicians for whom this corner of a once-great empire might just as well be on the moon.

And the answer must be found in a time scale that leaves little margin for error.

UK unemployment

The vital anchor of price stability

By Maurice Scott

MANY voices are now clamouring that the Government should do something about unemployment. That unemployment is far too high, and that it represents a very big economic waste and social evil is something with which all agree. But what can be done about it and who should do the doing? There is much less agreement about that.

One view, apparently favoured by both the CBI and the TUC, is that public investment should be increased. There is a case for cutting public or private consumption in order to increase public investment (and also private investment). This would increase the rate of growth of our capacity to produce and so enable output to grow faster without increasing the *ratio* of output to capacity. If it could be achieved, it could thus procure faster growth without risking faster inflation, and in my view that would be highly desirable. However, this is not, as I understand it, what is being advocated. Some would like public investment increased without cutting anything else so as to take up the existing slack in the economy, thus raising the ratio of output to capacity and reducing unemployment.

Another favoured course of action is to cut VAT, thus "at a stroke" both reducing prices and expanding consumer demand. Again, the ratio of output to capacity would be raised and unemployment reduced.

Advocates of either course of action can point to the U.S., where, it is said, a large fiscal deficit has expanded demand, output and employment, and reduced unemployment, without resulting thus far in any appreciable acceleration of inflation. Likewise, advocates can point to the 1930s, when we recovered from a slump which was of the same order as that of 1979-81 as a result of cheap money and a housing boom and, later on, through rearmament, without any severe inflationary effects.

There is little doubt in my view that expansionary measures of these kinds would work in an economy in which expectations were firmly anchored to price stability and in which the settled and widely accepted norm was for wage increases approximately in line with average rates of productivity increases, say 2 or 3 per cent a year. After more than 100 years of long-run price stability, broken only by the First World War, we had that anchor in the 1930s. The U.S. economy has not, presently, so firm an anchor, but neither has it recently experienced inflation at over 20 per cent per annum and wage increases at over 30 per cent per annum, as have we. Furthermore, a far smaller fraction of its labour force is unionised, and the inflow of immigrants and natural rate of growth of the labour force acting on a free labour market have kept wages remarkably stable.

An anchor to price and wage stability is a possession whose worth we are beginning to appreciate. It is both a valuable and, unfortunately, a costly investment. We cashed it in during the long post-war boom and were able, as a result, to enjoy

Private employers must be induced to act more firmly

very low unemployment with a tolerable rate of inflation. One can easily see what happens in countries who have lost their anchors altogether, such as Argentina, Israel or even a Scandinavian democracy such as Iceland. To recover it then can be very costly indeed, but even the lesser cost we have incurred in trying to recover it since 1979 is enough to make many ask whether there is not some better alternative. Re-expansion of the economy now, with no anchor or alternative in place, would risk losing the "investment" already made. With some forecasters expecting faster inflation without any re-expansion, with an exchange rate which could easily come under pressure, as in France not so long ago and with signs of restiveness in the car industry after a modest recovery in its fortunes, who can say that these risks can be ignored?

Incomes policies work in some other countries, but the past of this country is littered with their wrecks. If the TUC could not even commit itself to wage restraint to help the Labour Party at the last General Election, how much less likely is it to agree to restraint proposed by a Conservative Government? Even if it would agree, would it not exact, in return, a reversal of recent labour legislation at the very least? And even then, could it deliver anything that was durable? Wage bargaining in the private sector has become more decentralised, and so both the major unions and, for the matter, the CBI, have less control over what goes on.

The Government does have a role to play in wage-bargaining in the public sector, and it is important that it should maintain its pressure to resist wage increases there. This has a direct and obvious effect on employment in the public sector. It is approximately true that every one per cent knocked off the wage increase of public sector employees (including people like myself in academia, for example) enables employment there to be increased by one per cent. In the private sector we must rely mainly on private employers. It is really *they* who must "do the doing," because one cannot expect public sector wages to lag behind those in the private sector indefinitely. Nor can one expect private sector unions to volunteer for smaller wage increases. There is little doubt that smaller nominal wage increases in the private sector are now the single most important way in which unemployment can be reduced. Is there any way private employers can be induced to act more firmly in all our collective interest to restrain wage increases? That is the key question.

But, some will say, will smaller wage increases not depress consumer demand and so increase, rather than reduce unemployment? It is unnecessary to delve into any elaborate theory at this point. What matters in the last resort is the ability and willingness of the Government to expand *nominal* demand, in any of the ways already mentioned, *in non-inflationary circumstances*. As to its ability, there can be no doubt, nor do I myself doubt its willingness either.

The author is Economics Fellow at Nuffield College, Oxford.

Letters to the Editor

Incentives for the young

From the Chairman, British Youth Council

Sir, — I was pleased to read your editorial ("Incentives for young people, December 5) about Lord Young's proposals that benefits be taken from young people as an incentive to encourage participation in the youth training scheme. I was, however, somewhat worried by our support for low wages for young people.

While some young people do get jobs as a result of the young workers' scheme — which offers incentives to employers to keep young people's wages under £50 a week, there is good evidence that this does not do very much to improve the real level of youth employment.

A recent survey of the Institute of Manpower Studies concluded that only 6 per cent of jobs created under the YWS were directly attributable to the subsidy. And an earlier Department of Employment study suggested that a 10 per cent wage cut would create only 70,000-100,000 jobs, 80 per cent of which would be at the expense of existing adult employment.

So, it is not clear that reduced wages help matters. But Lord Young's belief that the removal of benefits will act as an "incentive" demonstrates how low existing allowances on YTS and further education courses are. Indeed, as you rightly point out, £16 a week — the average benefit paid — is no "King's ransom." And the YTS allowance of £26.25 is not much better.

Both these low payments act as a disincentive to full participation and choice. Further education becomes an even more remote option because of the loss of even these meagre payments which that would represent. All that low payments do is to take independence from young people and to lower their self-esteem. In short, there is financial discrimination against young people.

It would be a real incentive if the further education and YTS allowances were increased to a reasonable level. And an even greater incentive would be achieved if young people could have the real choice to pursue the three options mentioned by Lord Young: work, training and education.

Many young people don't have these choices open to them at present — sometimes because they are not available near where they live, often because of the financial sacrifice involved. Genuine choice between those three options could be the best way to get young people to get the full benefit from the courses. And there would then be no need to talk about taking away young people's rights to welfare benefits.

Malcolm Ryan.
57, Chalton Street, NW1.

One way of taxing graduates

From Mr G. Hatjoullis

Sir, — After reading Michael Dixon's article, "How other nations foot the bill" (December 6) it occurred to me that an obvious solution to the thorny question of education finance may have been missed. No country appears to have considered an additional tax on graduate incomes.

A "graduate tax" has much to commend it. Parents are removed from the education decision. No parent can buy privilege for his or her offspring. No child need suffer from parental indifference or hostility. The main burden of the cost is placed on the shoulders of those who benefit, in proportion to the degree of benefit. Moreover, repayment is deferred until the benefit accrues.

Administration of such a scheme would be relatively simple. All students qualifying for higher education would receive full maintenance costs and fees from a central fund. In return, graduates would be liable to a "super" tax levied via the PAYE system. Those, like myself, who graduated prior to the implementation of the scheme could be drawn in at a lower rate. After all, such graduates must at least have received free tuition.

The scheme is obviously not without defects. How, for example, should be treat students who fail? Though no scheme is foolproof, however, I believe this may be a good alternative to those currently being considered.

G. S. Hatjoullis.
104, Falloden Way, NW11.

Price sensitive information

From Mr D. Damant

Sir, — The Johnson Matthey saga does not, as suggested by Lex on December 3, explode the efficient market hypothesis. The hypothesis does not say that the market price of a share is always the correct estimate of the company's future prospects; only that it is a correct estimate as far as the generally available information is concerned: inside information is by definition not included in the quoted price and the use of inside information can therefore be used to make money — although of course illegally.

The share price movements of Johnson Matthey over the last few months show almost no leakage of the substantial problems on the banking side as is demonstrated by the sharpness and extent of the price movements when the news was announced. The Lex column mentions a further example of relevant information not made public in the fact that the earlier statement that Johnson Matthey had withdrawn from the finished jewellery market in the U.S. was much later followed by a further provision against the cost of closing the U.S. jewellery business.

So long as company directors and management succeed in keeping price sensitive information to themselves, a share price may be out of line with the true prospects for the company. But it is still efficiently priced on the information available.

D. C. Damant.
Quilter Goodison & Co.,
31-45 Gresham Street, EC2

The price of potatoes

From the Chief Executive, Potato Marketing Board

Sir,—I recognise that the season of merriment approaches apace but that is a pretty thin excuse for allowing Mr Fuller and your cartoonist (December 11) to make feeble jokes about a business we are obliged to take very seriously indeed.

A Market stabilisation scheme for potatoes has worked well in this country for around 50 years. It involves long-term commitment by growers who pay substantial sums each year into the jointly funded price support arrangements. For periods of serious surplus the Government part-funds support arrangements which prop the market, but at a level which restricts loss rather than providing profit. Currently our growers are receiving less than 2p per lb for their crop. We would dearly like them to get another farthing—yes, a farthing would suffice. Two farthings would bring back a rosy smile to every grower's cheek. To suggest that this would be passed on as an increased cost to consumers when the present mark-up to retail prices is around 300 per cent is a nonsense. It is equally nonsensical to suggest that our scheme to raise prices from a level reasonably described as devastatingly low to a level which is seriously low, in some magical way will attract floods of Dutch potatoes. Dutch farmers aren't that daft.

In this argument the proof of the pudding is very much in the eating. Since the war, potato consumption in Great Britain has increased steadily and we are now top of the potato eating league at 106 kg per head per annum. The Dutch and others in mainland Europe eat between 70 and 80 kg per head and the trend is down. Perhaps they need a Potato Marketing Board to develop that all-important consumer confidence in the noble tuber. The average annual cost of our success to the taxpayer is rather less than the cost of subsidising the dog licence system and for several years now growers have matched the Exchequer's generosity, pound for pound.

Robin Pooley,
50, Hans Crescent, SW1.

Sell the water authorities

From the Chairman, Eastern Consumer Consultative Committee, Thames Water

Sir,—Once again we see a Government tinkering with a nationalised industry, to the detriment of both the industry and the customer. I refer, of course, to the proposal to push up water prices by a totally unnecessary amount, as announced by the Secretary of State for the Environment.

I cannot speak for the other authorities, but I have some knowledge of Thames Water. That body has been striving to maintain and improve its service, while at the same time slimming down and becoming more efficient. It is under instruction to run itself on commercial lines, while at the same time it is given other instructions which run counter to that ambition.

Surely the best course is for the Government to realise that here is an undertaking ripe for privatisation. It could be done easily enough, and the net gain to the Government would be considerable: the Authority would realise more on the market than, for example, British Airways. And be a safer investment.

But, most important of all, customers would know who was running the business; could demand efficiency; would get more protection than they now get.

(Councillor) Ian F. G. Beattie.
Members Room,
323, High Street,
Epping, Essex.

FINANCIAL TIMES
Wednesday December 12 1984

Switch to lead-free petrol will cost Elf FFr 1bn

By Paul Betts in Paris

ELF AQUITAINE will have to invest FFr 1bn ($105m) to adapt its refinery system for lead-free petrol production, M Michel Pecqueur, chairman of the French state-controlled oil company, said yesterday.

M Pecqueur, who favours the gradual introduction of lead-free petrol in Europe from 1989 as decided by the EEC, also said production of lead-free petrol would lead to additional annual charges of about FFr 300m for Elf.

The French oil group is involved in discussions with Arco Chemicals, the chemicals subsidiary of Atlantic Richfield, to collaborate closely with the U.S. oil group in the eventual production of lead-free petrol additives in France.

Arco is considering investing about FFr 2bn in a facility at Fos, the industrial zone near Marseilles, to produce additives for the European lead-free petrol market.

Senior Elf executives say that Arco has not yet reached a decision on the site of its new European facility. Arco is also considering Italy and Spain as possible alternatives to France.

Elf and Arco launched a joint study of the project after the U.S. company last year took over the French polyether assets of PCUK and Chloe Chimie, two groups which have since been absorbed into Atochem, Elf's new chemicals subsidiary.

M Pecqueur said yesterday that Elf's group sales had risen sharply in the first nine months of this year to FFr 130bn from FFr 90bn in the same period last year. The latest figures include FFr 28bn in sales from Atochem, whose activities were consolidated in Elf's group figures from the second half of last year.

M Pecqueur is expecting lower second-half earnings, compared with the first half of this year when profits totalled FFr 4.5bn. Elf reported profits of FFr 2.7bn in the first half of last year.

The lower earnings reflect a worsening in refining results and weaker performance by chemicals.

Elf intends to continue to pursue a heavy annual investment programme of between FFr 20bn and FFr 25bn a year, M Pecqueur said. In financing these investments, however, the group is anxious to avoid indebting itself too heavily to preserve good credit ratings.

Elf's total debts amounted to FFr 25bn last year and M Pecqueur claimed there had been a significant reduction this year. After the takeover of the heavy chemical assets now grouped in Atochem, Elf's ration of debt to revenues rose to 38 per cent at the end of last year.

M Pecqueur said Elf's U.S. operations, including the chemical operations of Texasgulf, oil exploration and production operations, and the fine chemicals activities of M & T, should produce cash flow of $150m this year and $200m next year. Elf paid $2.3bn for Texasgulf's U.S. assets in 1981.

The takeover – the largest U.S. investment by a French company – has so far proved disappointing for Elf, although M Pecqueur said Texasgulf was improving.

With 10 years of oil and gas reserves, Elf is engaged in an exploration programme to renew its hydrocarbons resources. The group's total hydrocarbons production this year amounts to about 35m tonnes of oil.

M Pecqueur said Elf was not envisaging any diversification, but planned to focus on its core oil and chemicals businesses at the same time as maintaining a strong commitment to new technologies.

Although Elf last week increased its stake in Technip, the troubled French project engineering company, to 33.3 per cent, M Pecqueur indicated that Elf had no intention of seeking to dominate the affairs of the engineering concern.

M Pecqueur also said be had failed to secure an agreement with Électricité de France (EdF), the French electricity utility, for lower cost electricity supplies for Elf's chlorine operations.

Reagan may axe council of economic advisers

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan is considering abolishing the Council of Economic Advisers (CEA), the White House economic think tank which earlier this year – under the chairmanship of Dr Martin Feldstein – conducted a controversial public campaign for vigorous action to cut the Government's $200bn budget deficit.

That campaign revealed deep splits within the Administration on the economic implications of massive federal budget deficits. It also created such hostility between the U.S. Treasury and the council that Mr Donald Regan, Treasury Secretary, was moved to tell a congressional committee that the best thing to do with last year's annual report from the CEA was to throw it away.

Dr Feldstein left the council in July, as planned, in order to return to his teaching post at Harvard University. He left behind such an atmosphere of hostility to the CEA in influential parts of the Reagan Administration, however, that the President has not named a successor as chairman, nor, apparently, made any moves to replace two remaining members of the three-member council, both of whom are expected to leave early next year.

Mr Larry Speakes, the White House spokesman, who on one celebrated occasion when the rancorous dispute on economic policy was at its peak ridiculed Dr Feldstein to the White House press corps, confirmed yesterday that the President was thinking of scrapping the agency.

To do so would, however, require congressional approval which might not be forthcoming.

The opportunity to take this action has arisen, in the context of the President's efforts to cut at least $34bn from the federal budget deficit in 1986.

When Dr Feldstein was campaigning for budget cuts ahead of the presidential election, the last thing White House officials wanted was a senior Administration official warning in public that the budget deficit was a threat to the then booming economy. Now it seems there is a desire to try and make sure that so embarrassing a public policy battle does not recur.

Dr. Feldstein left Washington claiming that the views he expressed about the dangers of huge budget deficits were those of the president and with the plaudits of many who admired the integrity and courage with which he had made his case. Even among some of those who sympathised with him, however, there was nagging doubt about whether he should have campaigned so publicly on the deficit issue.

There were fears that the aftermath of his tenure might be that the President would appoint as a successor an individual who did not have the prestige as an economist which Dr Feldstein and his predecessor had.

Mr Speakes said yesterday that the President was considering whether he should simply rely on the advice of Treasury economists on economic policy.

Such a step would not be welcomed by those in Washington who feel that the White House benefits from receiving independent economic policy advice which is not drawn from an agency which has its own bureaucratic imperatives.

The fact that the Treasury has fallen under the sway of monetarist economists such as Dr Beryl Sprinkel, Under-Secretary for Monetary Affairs, may also be a source of anxiety to non-monetarists in the economic policy-making apparatus.

The departure of Dr Feldstein, for example, was no help to the Federal Reserve Board for it deprived Mr Paul Volcker, Fed chairman, of an ally at the White House.

Separately, the White House is making it clear that as yet no decision has been reached on what cuts in the defence budget to propose as part of its efforts to trim the deficit. On Monday, the President, who has hinted that defence spending cuts are needed, met to debate the issue with Mr Casper Weinberger, Defence Secretary, but officials say that no final decisions have yet been taken and that a further meeting will take place later this week.

Mr Regan's explosive tax reform package, Page 12

MEPs warned of 'dangers' in rejecting 1985 budget

BY QUENTIN PEEL IN STRASBOURG

EUROPEAN COMMUNITY spending on agriculture, social programmes and food aid would be seriously affected if the European Parliament carries out its threat to reject the 1985 budget this week, MEPs were warned yesterday.

Farmers would suffer from an Ecu 1.6bn ($1.12bn) shortfall in common agricultural policy (CAP) finance, and spending on the social fund could be completely blocked unless a new budget was approved before March, Mr Jim O'Keeffe, the Irish Foreign Minister of State and president of the EEC budget council, told a plenary session of the parliament in Strasbourg.

Spending on food aid and other Third World programmes would have to be cut from Ecu 976m recommended by the budget to about Ecu 700m he said.

Mr O'Keeffe, speaking on behalf of the 10 EEC governments, called on the MEPs to consider: "Is it wise to cut off your nose to spite your face? An imperfect budget is far better for the Community and its citizens than no budget at all."

MEPs, however, were adamant yesterday that the draft budget of about Ecu 26.1bn will be rejected on Thursday, because it fails to finance committed spending for the full 12 months of the year.

They are set to approve a budget committee recommendation to throw out the EEC budget ministers draft and force the European Commission to finance its spending on the basis of "provisional twelfths" of the present budget. This means that spending must be held to one twelfth of the present 1984 spending, whichever figure is lower, for each area of budget spending.

Mr O'Keeffe said the system would mean a reduction in CAP spending to support farm prices from Ecu 18.3bn in the present year to only Ecu 16.7bn or about Ecu 260m a month less than the Ecu 1.6bn estimated to be necessary by the European Commission.

The Irish minister also warned that the money available for the European social fund would be cut from Ecu 1.63bn in the present year to Ecu 1.29bn under the provisional twelfths system, and if no budget was approved before March 1, the entire social programme could be blocked from the end of that month under a quirk in new legislation.

MEPs have also been warned that new projects included in the 1985 draft budget could not be undertaken under the interim system, including Ecu 10m for an advanced telecommunications project and Ecu 5m for other research programmes.

The MEPs have dropped their insistence on the British budget rebate of Ecu 1bn being paid in the form of new spending programmes, rather than reduced contributions as proposed by the budget council.

The likelihood that the budget will be rejected outright on Thursday rose yesterday when M Pierre Pflimlin, the parliament president ruled out a three-way peace-making meeting with Mr O'Keeffe and M Gaston Thorn, president of the Commission, at M Thorn's suggestion.

EEC faces test on milk; enlargement, Page 2

Minister rejects need for BNOC policy shift

By Ian Hargreaves in London

THE BRITISH National Oil Corporation (BNOC) does not need to make any fundamental switch in direction, the UK Energy Minister said yesterday. This was despite its heavy trading losses and baving been abandoned by most of its customers.

Mr Alick Buchanan-Smith, the minister, said that in the light of changing market circumstances the Government was conducting a limited and routine review of BNOC's pricing policy.

"There is no reason to change the objectives of BNOC, although in relation to the changing market situation, there is always a need for an ongoing assessment," Mr Buchanan-Smith said, in a 90-minute appearance before the House of Commons energy committee.

Mr Buchanan-Smith described as speculation reports that BNOC is planning to change to a monthly, spot-related system of pricing its crude, instead of setting official prices quarterly.

A number of points however, did emerge from the minister's answers:

● BNOC's loss limit of £45m ($54m) – caused by its buying at an official price higher than the spot price at which it is selling most of its oil – will cover the corporation only to the end of this month. A further government subvention could be needed in the first quarter if BNOC's prices are not brought in line with the market.

● No decision has been taken on prices arrangements for the first quarter. The Government, Mr Buchanan-Smith said, wanted to see whether the weather would get colder and raise oil demand and, he hinted, to await the outcome of an Opec ministers' meeting on December 19.

● Asked twice whether the Prime Minister's office is engaged in its own review of the future of BNOC, Mr Buchanan-Smith refused to comment. The absence of a firm denial suggests that such a review is taking place.

● Mr Buchanan-Smith has refused to surrender to the committee a copy of the letter he sent to oil companies in July asking them to help BNOC maintain its prices above market rates. The letters, he said, contained commercially sensitive information.

MPs argued that the Government had deliberately and unwisely forced BNOC into making large losses by its desire to prevent oil prices falling in the summer.

Mr Buchanan-Smith said there had been no desire permanently to influence prices, merely to smooth out short-term fluctuations. The letter to oil companies, he said, followed detailed discussions and did not amount to a directive.

British Gas defends Sleipner decision, Page 2

THE LEX COLUMN

There's a lot of it about

The UK authorities made their contribution to the round of seasonal diversions yesterday, by issuing the most subtle and puzzling of the City of London's pre-Christmas quizzes. The questions all concerned different aspects of monetary policy, with the usual magnum of Threadneedle Street non-vintage champagne on offer for the best answer to the key question: Why has banking November produced the biggest rise – 2.75 qer cent – in sterling M3 since the corset was unlaced four and a half years ago?

Explanations which start and finish with the British Telecom offer must be in the right area, but will not win any prizes.

The accumulation of liquidity in bank deposits up to the point of subscription is certainly very impressive, and may well account for the bulk of the £1.9bn increase. At least bank lending seems to be no more out of control than before. Indeed, it can be argued that the private sector's liquidity left the banks at rather a loss for somewhere to lend.

If the storing up of powder for BT were the whole story there would be little to worry about, since the monetary effects of the issue are bound to unwind in time, with a contractionary effect more or less equal to the volume of disappointed applications.

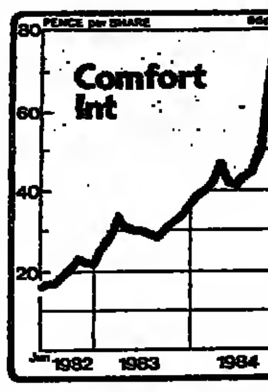
The pattern of this return to normal may, bowever, remain hard to read for a month or two, with the December hanking month ending today there will be an awful lot of cbeques still in reverse transit.

Given this amount of uncertainty over wbat the figures are currently measuring, there is room for debate as to how loose monetary conditions really are.

Certainly, £M3 growth at 19 per cent in the past quarter looks as loose as you please, while the high level of the equity market and of retail spending suggest that there is plenty of money about. And an eccentrically large PSBR – not satisfactorily explained – has revived a few douhts in the gilt-edged market.

Smith & Nephew

Considering the middle-tech nature of its business, Smith & Nepbew has done a remarkable job of consistently turning in 25 to 30 per cent rises in profits. Yesterday's third-quarter results, showing pretax profits up 25 per ceot to £37.58m, seemed at first glance to reflect the trend.



But investors were mildly disappointed and the shares dropped 2p to 221p. While it migbt seem a little ungracious to cavil at such a performance, closer inspection reveals that the rate of growth has been slowing all year, from over 28 per cent in the first quarter to 21.5 per cent in the third. For one of the highest-rated companies in its sector, this was enough to send a frisson of pessimism through its followers.

If Smith & Nephew's growth is slowing, the share price migbt be expected to come under a bit of pressure. After all, on a prospective multiple of 19, the company is still rated alongside the research-intensive Glaxo. But Smith & Nephew is in a number of low-risk businesses where there are still plenty of new markets to exploit. Even if Glaxo looks likely to turn in a 25 per cent profits growth compared with Smith & Nephew's 20 per cent, investors might still be willing to pay for the extra certainty.

Ladbroke/Comfort

There is no stopping Ladbroke Group. Fresh from an excursion into Belgian betting and a property financing deal in New York, the company has now turned its attention to hotels. Yesterday's offer for Comfort will, if successful, project Ladbroke into the oumber two position in the UK hotel industry, with a foothold in Europe as an added bonus.

The terms have been designed to shut out the rival Intasun offer and to coax acceptance from the Comfort board. The first objective should be achieved without too mucb difficulty. The takeover makes more sense for an established hotelier while Ladbroke's earnings dilution would be held to around 5 per cent next year, rather less than Intasun was facing even on its initial offer.

Winning the support of Mr Henry Edwards and his board would be a blessing, but perhaps a mixed one. Mr Edwards is no slouch and, after the botel sector's remarkable run this year, a decision to sell out could be interpreted as a top of the cycle message. Ladbroke, however, entertains no such gloomy thoughts. An expenditure of around £7m would, it reckons, bring the Comfort portfolio up to Ladbroke standards; the deal would bring it a sizeable London presence for the first time and would offer some attractive development opportunities. The market, at any rate, shares some of Ladbroke's breathless enthusiasm. Despite the beavy equity element in the offer, the Ladbroke share price surrendered only 8p of its recent gains yesterday, closing at 243p.

Vendor placings

Chapman Industries, the envelope manufacturer, is not the sort of company to arouse strong feelings in the City of London. But the company could find, to its surprise, that the proposed acquisition of Inveresk Stationery lands it slap in the middle of the heated debate about vendor placings.

As part of a £12½m takeover package, Chapman is arranging a vendor placing of 1.3m new shares at a discount of about 7 per cent to the market price. The first unusual feature of the placing is its size: Chapman's issued equity will increase by 47 per cent as a result. But that is not all. The company has no named merchant bank and says it has been advised to proceed with a placing rather than a rights issue by Laing & Cruickshank, the stockhrokers, whose business it is to place shares.

A quarter of the new equity will apparently find its way into the hands of a company cootrolled by one of the directors and his family trusts all of which may seem rather unfair to any existing shareholders not being offered new shares at a discount. Unhappy shareholders can of course vote against the proposals at an EGM but their cause will not be helped by the fact that the directors, who speak for 41.4 per cent of the issued equity, all propose to vote in favour of the resolutions.

UK money supply ahead 2.75%

Continued from Page 1

reacted to the figures by showing small losses on the day reversing early gains.

The Government also faces the problem that although it is confident that sterling M3 has been distorted, it does not know by how much.

Part of the £1.7bn of bank lending during the month, for example, may well have reflected exceptional demand for credit to finance the purchase of BT shares, but it is far from clear how much of it was accounted for by this.

Since the figures for December are also likely to have been affected by the BT issue, officials concede that the Government may find itself in the awkward position of being unable to discern the underlying trend in the money supply until towards the end of next month. That in turn is likely to make the authorities cautious of seeking any fall in interest rates over coming weeks.

Carbide 'unaware' of plant details

Continued from Page 1

He also confirmed that Union Carbide trained Indian scientists and engineers both in India and in the U.S., but added that "for quite some time" the Bhopal plant has been "under the operation of the Indian company."

Union Carbide officials in India said yesterday the company was sending four of its top scientists to Bhopal today. They were expected to support the view that the best way to dispose of a tank full of the lethal gas still stored in the plant was to re-open production of the pesticides.

This has so far been rejected by the state government of Madhya Pradesh, whose Chief Minister, Mr Arjun Singh, has said the plant will stay closed permanently.

The alternative, which the company does not favour, is to neutralise the MIC with caustic soda and to release it into the atmosphere. That could cause widespread panic in the city, whose 1m population is tired and tense.

Doctors are investigating possibly long-term liver and kidney problems and are worried by the number of people still reporting to hospital with chest complaints.

Young children are especially badly affected – a third of the dead are aged under 12.

"People have lost confidence and are still leaving the city" Dr R. K. Bisarya, the city mayor who runs a private clinic, said. "They are terrified. Last night there was a fire near the factory and panic broke out. People ran away like hell."

The main task now is to investigate the cause of the gas leakage, which has been attributed to storage tanks for the product.

According to Union Carbide in the U.S., however, the "instrumentation" problem related to a "Sevin feed tank in a unit of the plant different from the methyl isocyanate storage area." Sevin is a pesticide made by blending MIC with other chemicals.

Anglo-French study of China smelting plant

By Joan Gray and Colina MacDougal in London

WIMPEY, the UK construction company, and Pechiney, the French aluminium group, are to undertake a feasibility study for a proposed $800m aluminium plant to be built in southwest China.

The work will be carried out jointly with the China National Non-Ferrous Metals Corporation.

When completed, the plant will have an initial capacity of 100,000 tonnes a year. It may eventually be extended to produce 300,000 tonnes a year when further hydropower is available. It forms part of China's plan to more than quadruple aluminium production by the year 2000.

The plant is on the Hongshui River in an area already surveyed for its hydropower possibilities by the U.S. Army. Several companies, including Wimpey, have expressed interest in building dams but none are working there yet.

China imported 400,000 tonnes of aluminium in 1983. The new plant and others which the Chinese are currently discussing with other companies will sharply reduce this figure.

The complex, known as the Pingguo Aluminium Project, in the Guangxi Zhuang autonomous region, covers everything from bauxite mining to smelting and producing aluminium ingots. It is estimated that as much as $300m of the total cost will be spent on foreign equipment, engineering and management services.

If the plant construction is awarded to Wimpey and Pechiney, Wimpey's role would be essentially project design, management, equipment procurement, maintenance and training.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	S	12	54	Malaga	F	17	63	Salzburg	C	7	45
Akrotiri	C	18	61	Faro	S	16	61	Malta	—	—	—	Seoul	S	12	54
Algiers	—	—	—	Florence	Fg	3	37	Manila	S	30	86	Singapore	R	27	81
Amsterdam	C	8	46	Frankfort	F	6	43	Miami	S	24	75	Stockholm	S	3	37
Athens	F	12	54	Funchal	C	17	63	Milan	—	—	—	Strasbourg	S	6	43
Bahrain	F	21	70	Geneva	C	4	39	Moscow	Sn	0	32	Sydney	C	23	73
Bangkok	S	32	90	Gibraltar	C	16	61	Munich	S	9	48	Taipei	F	23	73
Barcelona	—	—	—	Guernsey	S	7	45	Nairobi	C	20	68	Tangier	S	18	64
Beirut	S	16	61	Helsinki	C	0	32	Naples	S	12	54	Tehran	—	—	—
Belgrade	C	7	45	H. Kong	F	22	72	New Delhi	S	21	70	Tel Aviv	S	17	63
Berlin	C	8	46	Innsbruck	R	4	39	New York	C	12	54	Tenerife	S	23	73
Biarritz	S	16	61	Inverness	F	8	46	Nice	S	15	59	Tokyo	R	9	48
Blackpool	S	6	43	Istanbul	S	9	48	Oporto	S	17	63	Toronto	C	7	45
Bordeaux	Fg	3	37	Jersey	F	6	43	Oslo	S	2	36	Tunis	F	17	63
Brussels	C	7	45	Jo'burg	S	29	84	Paris	Fg	3	37	Valencia	S	13	55
Budapest	F	9	48	Las Palmas	S	23	73	Prague	C	8	46	Venice	—	—	—
B. Aires	R	27	81	Lima	F	23	73	Reykjavik	S	8	46	Vienna	C	8	46
Cairo	S	17	63	Lisbon	S	13	55	Rio de J'o	C	32	90	Warsaw	C	5	41
Cape Town	S	23	73	Locarno	S	13	55	Rome	S	14	57	Zurich	S	8	46
Caracas	C	27	81	London	Fg	7	45								
Casablanca	F	20	68	Los Angeles	F	17	63								
Copenhagen	S	9	48	Luxembourg	C	2	36								
Corfu	S	16	61	Madrid	S	10	50								
Dublin	C	8	46	Majorca	S	16	61								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Consulate sit-in to end

BY ANTHONY ROBINSON IN JOHANNESBURG

THE occupation of the British consulate in Durban by three anti-apartheid activists is due to end today – three months after it began – Mr Zac Yacoob, a lawyer acting for the three men announced after a day of negobations with consulate officials.

He read out a statement from the three which said: "Having fought a very successful campaign against detention without trial we announce our departure from the consulate at 4.30 tomorrow."

The three men – Mr Archie Gumede, president of the anti-apartheid United Democratic Front (UDF), Mr Billy Nair, and Mr Paul David – also accused South Africa, Britain and the U.S. of perpetuating the racially divisive apartheid system and detention without trial.

The three men are expected to be re-arrested.

All of the six original occupants of the consulate were previously arrested under South Africa's detention-without-trial internal security laws. These detention orders were lifted on Monday, however.

The three former occupants of the consulate who were re-arrested were charged with high treason immediately after the lifting of detention orders. Similar charges are expected to be laid against the remaining three.

Black labour unrest, Page 3

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday December 12 1984

Investor group buys stake in Datapoint

By Our New York Staff

A GROUP of investors led by Mr Asher B. Edelmann, a New York investor, has bought an 8 per cent stake in Datapoint, a Texas-based manufacturer of office communications sytems. This could be a prelude to a bid for the company which has a current stock market value of $375m.

In a filing with the U.S. Securities and Exchange Commission (SEC), Mr Edelman disclosed that his group had bought 1.6m Datapoint shares since mid-November at prices ranging between $14.375 and $18.125.

Mr Edelman said he intended "to seek to maximise the value of the company to all shareholders by seeking to influence management policies or by obtaining control of the company." He reserves the right to seek board representation by proxy contest or to influence management through a tender offer.

British Pacific sale may raise C$100m

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT, IN LONDON

BRITISH Pacific Building, the Vancouver-based property investment company owned largely by members of the Guinness brewing family, is to be sold. The company, which was founded 50 years ago, is expected to raise something in the region of C$100m ($75.7m).

British Pacific has been an active developer of prime office properties in western Canada and now owns about 1.2m sq ft of office accommodation in Vancouver and Calgary. The company has three large office developments in each city, five of which it built itself. The most recent development was in Vancouver in 1977.

Lord Iveagh, chairman of British Pacific, said that its shareholders had decided to sell a company which had grown from an initial investment of C$3m.

It is understood that there are about 35 shareholders in British Pacific, some of whom have decided that they would prefer a less illiquid form of investment. The decision to sell does not affect the Guinness family's other business interests in Canada.

The sale is to be conducted by Burns Fry, the Torooto-based investment banking group, which expects to have a detailed memorandum available for poteotial purchasers early in 1985.

Mr John MacNaughton, a director of Burns Fry, said last night that a single purchaser was being sought for the company's shares and that a syndicated sale would not be acceptable to the owners. He said he expected considerable interest for the prime portfolio, which could involve overseas insitutions and property investment companies.

"The Canadian property market has had a considerable shake-out, but British Pacific has maintaioed a good performance because of its strict adherence to prime property in the very best locations. The number of opportunities to pick up portfolios of this quality are very limited in Canada, and there are already indications of substantial interest from potential buyers."

Norcem moves to ward off Investa

By Fay Gjester in Oslo

NORCEM, a large Norwegian industrial concern with a market value of around NKr 1bn ($112.3m), appears to be the target of a takeover bid by Investa, a Bergen-based investment group closely linked with the Vesta insurance company. Norcem's shares have been suspended on the Oslo bourse.

Investa has recently increased its stake in Norcem from 19 per cent to around 33 per cent, and at a meeting of the Investa and Norcem boards last week the former refused to clarify its intentions.

Norcem yesterday appealed to shareholders not to sell to Investa. It has mobilised five of its larger shareholders, with a combined stake of around 15 per cent, who have agreed to take up any shares that come on the market.

The five are: the industrial groups Norsk Hydro and Elkem, the insurance concern Storebrand-Norden and Norway's two largest commercial banks, Den Norske Creditbank and Christiania Bank.

A further 25 per cent of Norcem's shares are in what the board regards as "safe" hands, with its Swedish sister company Euroc holding 15 per cent

Air crash casts doubts over Embraer venture

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE CRASH of a Brazilian-made turboprop in Florida last Friday, killing all 13 people on board, might have damaging consequences for its makers, Embraer, Brazil's state-controlled aircraft company.

At the weekend, the U.S. Federal Aviation Authority (FAA) ordered all the remaining 130 Bandeirantes in the U.S. to report within 10 hours to FAA inspection sites for examination of suspected problems with its tail plane.

The commercial success of the twin-engined, 19-seat aircraft worldwide has been fundamental to the recent growth of the relatively new Brazilian aircraft industry. The type was launched in 1972 as a sturdy workhorse for commuter airlines and for military purposes and 443 have beeo sold to 24 countries.

Unfortunately for Embraer, the crash by an aircraft operated by Provincetown Boston Airlines coincides with a sales drive abroad to promote a larger and more sophisticated replacement for the Bandeirante.

Most of the marketing efforts have concentrated on the U.S., by far the most important market for the Brazilian company, although the aircraft was also recently taken on a demonstration tour of Western Europe.

Against strong competition from De Havilland of Canada and a Saab-Fairchild consortium, Embraer has to date secured only 27 firm sales for the new aircraft, a pressurised 30-seater called the Brasilia.

The Brasilia costs $5m, compared with $2.2m for the latest version of the Bandeirante, and it is the basis of Embraer's hopes of establishing itself firmly worldwide as an important aircraft maker.

Embraer expects to end this year with a small profit on a turnover of $170m to $180m, about half derived from exports. Those figures put it on a par with such U.S. manufacturers as Cessna and Beechcraft.

Trouble with the tail section of the Bandeirante appears to have beeo ooticed first last year. An FAA directive in July 1983 called for "initial and repetitive visual inspection of the horizontal stabiliser front attachment fitting" on the aircraft, looking for cracks.

Shortly afterwards, Embraer announced that it was introducing modifications to the Bandeirante "to improve passenger comfort." Those included the addition of a 10-degree dihedral on the horizontal tail section.

Sr Ozilio Silva, Embraer's commercial director, said on Monday that the modification was being made to all existing models in the U.S. In addition, a new version, the EMB-110P1A, was recently brought into service.

Among the customers for the new Bandeirante was PBA, which has also ordered 10 Brasilias.

Lufthansa to expand freight operations

LUFTHANSA, the state-controlled West German airline, plans to invest DM 550m ($150m) between 1985 and 1991 on improving and expanding cargo operations.

Freight operations continue to show unparalleled growth, and the rise is expected to continue next year, the company says. The share of total earnings taken by freight operations could rise to 25 per cent this year from 20 per cent in 1983.

Freight tonnage is expected to grow almost 16 per cent while the load factor for freight will rise over five points to just under 67 per cent. North Atlantic freight exports are up 35 to 40 per cent.

Some DM 300m of the planned investment will be spent on the purchase of a new Boeing 747 already announced.

Reuter

Krupp unit to buy tool group

By Rupert Cornwell in Bonn

KRUPP Widia GmbH, a member of the West German Krupp group and a leading manufacturer of carbide and carbide-tipped tools, plans to take a 51 per cent stake in Sitzmann and Heinlein, a smaller producer of specialist milling tools.

Sitzmann and Heinlein, with whom Krupp Widia has long worked closely, is a totally owned subsidiary of the Saarbergwerke AG group, the state-owned coal, energy and industrial conglomerate.

The move, which now awaits only the approval of the supervisory boards of the companies concerned, therefore represents not only a rationalisation of the specialist tools sector, but a small step along the Bonn Government's chosen road of "privatisation."

Ladbroke bids £44m for Comfort Hotels

BY RAY MAUGHAN IN LONDON

LADBROKE GROUP, the world's largest betting group, yesterday launched a £67.4m ($80.8m) offer for Comfort Hotels to counter a £44m contested bid for the hotel chain from Intasun Leisure, Britain's second largest tour operator.

While Mr Henry Edwards, chairman of Comfort, rejected the Intasun approach almost immediately at the end of last month, Ladbroke's cash and share terms were still under consideration last night with Comfort and its advisors, Kleinwort Benson.

Both Intasun and Ladbroke, however, are opposed to Comfort's planned £15m acquisition of Prince of Wales Hotels and are urging Comfort's shareholders to vote against the deal at a proposed extraordinary meeting.

Ladbroke owns 35 hotels in the UK which, other than the Westmoreland Hotel, are all based outside London. Comfort has 22 hotels, including nine in London, and Ladbroke claimed that "the proposed integrated network would unquestionably be better placed to compete realistically in Europe with the major international hotel groups."

The offer comprises five Ladbroke shares for every 14 Comfort shares which would be valued at almost 87p each, taking Ladbroke at 243p, down 8p yesterday.

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Svenska Varv to close yard

STOCKHOLM – Svenska Varv, the Swedish state-owned shipbuilding group, said it would close down its Uddevalla yard in Western Sweden in early 1986 due to the weak shipping market.

Mr Olle Lund, president, said that the shutdown, in which 2,700 workers will be laid off, was inevitable because of a worldwide overcapacity in shipbuilding.

Better results for Heinz in first half

By Our Financial Staff

H. J. HEINZ, the Pittsburgh-based food group, reported improved first-half results, reflecting unit volume gains and good operating performances throughout the company.

The profits, however, were adversely affected by lower currency exchange rates used to translate foreign operations. These reduced sales for the six months by $83m.

Second-quarter net profits rose to $89.7m, or $1 a share, from $82.4m, or 88 cents, taking the first-half figures to $141.7m, or $2.06, from $123.9m, or $1.75.

Sales for the quarter were slightly ahead at $1.04bn, against $1.01bn, and for the half were $2.06bn, against $1.95bn.

Bear Stearns seeks ruling from AIBD

BY WILLIAM HALL IN NEW YORK

BEAR STEARNS, one of several firms which together stand to lose up to $16m from last summer's Eurobond market scandal, has asked the Association of International Bond Dealers (AIBD) to rule on a long-running dispute with Sun Hung Kai Investment Services, another firm mentioned in the scandal.

Mr Michael Tarnopol, who heads Bear Stearns's international operations, announced yesterday that his firm had notified Sun Hung Kai Investment Services, part of a Hong Kong securities firm in which Merrill Lynch has a 25 per cent stake, of its intention to arbitrate unresolved disputes. These stem from irregularities in Eurobond transactions handled by individuals at Bear Stearns and Sun Hung Kai.

The irregularities were first disclosed in June, when Bear Stearns announced that, as a result of an internal audit, it had discovered that fraudulent trading in Eurobonds may have cost it as much as $3.5m. Mr Peter Buer, the head Eurobond trader of the New York brokerage firm, was dismissed immediately for unauthorised trading.

It was later found that employees of several firms in the Eurobond market had been involved in fraudulently trading bonds and Mr Juerg Remund, head dealer at UBS Securities' New York operation, committed suicide after admitting his guilt.

Bombardier sales surge in quarter

By Robert Gibbens in Montreal

BOMBARDIER, the Canadian heavy transportation equipment and motor manufacturer, dramatically increased third-quarter sales by beginning deliveries for its C$1bn New York subway car contract.

The first 11-car train was delivered for testing to the New York Metropolitan Transportation authority six weeks ahead of schedule.

Sales were also helped by larger deliveries of defence products and better volume in snowmobiles. The company's subsidiary in Austrias supplies engines for snowmobiles.

For the latest quarter, Bombardier earned C$2.8m ($2.1m), or 51 ceots a share, oo sales of C$185m

Clive Wolman on the effects of recent changes to Hong Kong law

Tax reform leads to HK$13bn outflow

HONG KONG has lost an estimated HK$13bn ($1.4bn) in funds under management as a result of a tax change unveiled in last spring's Budget. Local businessmen claim that the move, which imposes a tax on offshore interest earnings by companies, has undermined the Colony's status as a major financial centre.

Their last hope of stopping or emasculating the reform is likely to be dashed next week when a report is due from a committee nf Hong Kong's Legislative Council.

The change is an indication of the pressures on the Hong Kong Government to raise extra revenue. The Sino-British accord, which proposes a transfer of sovereignty to China in 1997, has reduced nne of its major sources of income and is expected to lead to increasing public expenditure.

Hong Kong bas no general income or profits tax. Until recently nnly limited categories of corporate income with their sources in Hong Kong have been subject to tax. The principle of not imposing tax nn income generated nutside Hnng Kong, even if earned by a Hong Kong resideot, which is one of Hong Kong's attractions as a financial centre, has now been breached irreparably, say the critics of the tax change.

The first breach in fact occurred in 1978, when tax was imposed on interest earned on offshore deposits by financial institutions. But the drafting of the law created so mucb uncertainty that several hundred cases are awaiting a decision on appeal, and nearly HK$3bn in taxes has been uncollected.

The extension of profits tax last spring to interest earned offshore by non-financial companies was designed to stop a variety nf tax avoidance schemes by Hong Kong compaoies and to raise an extra HK$350m in revenue each year.

"Why should those wbo can affaord good advice escape paying tax, leaving the rest to pay?" asks Sir John Bremridge, Financial Secretary. "A Hong Kong compaoy should not be able tn avoid profits tax by keeping its money in New York."

Mr Ray Moore, the finance director of Jardine Matheson, bas been leading the Chamber of Commerce campaign against the change. "The mnney we have lost from here over the last few months will never come back," he says. "The treasurers of multi-nationals do not like uncertainty. They are moving to Cayman or Bermuda."

He agrees that, in practice, many companies will be able to avoid ibe new charge by converting their overseas deposits interest into tax-free dividends or capital gains, possibly by depositing it in a Cbannel Islands "roll-up" fund. But this will only serve as an excuse for extending the range of profits tax to dividend and business income, he says.

According to Mr Ian Harris, tax adviser to the Hongkong and Shanghai Banking Corporation: "If a company does not want trouble with its taxes, it will not come here. I'm proud nf Hong Kong's role as a financial centre. But this bas knocked it badly." In particular, the money managemnt operatioins of multi-mlinationals are likely to move away from Hong Kong—or not come in the first place.

Mr Victor Ladd, the Inland Revenue Commissioner, accepts that as much as HK$13bn of fund s managed through Hong Kong may have left since the Budget a figur produced from a Cbambr of Commerce survey. Professinnal and administrative fees paid for money management bave also been lost. But, he says, the total nf funds placed nffshore but managed through Hong Kong comes to HK$40bn to HK$50bn. "HK$13bn may sound a lot of money," be says, "but in the context it is small and did not provide much employment."

His revenue forecasts assume two-thirds of the money escapes tax. He adds however: "There are nn plans for expanding the ambit of tbe tax charge."

The opponents of the change have been foscussing tbeir bnpes on the Monetary Affairs Committee, whicb is due to report next week to Hong Kong'a Legislative and Executive Councils.

But on Monday Mr Bill Brown, chairman of the Committee, told the Financial Times that it will be recommending only a few minor changes, for example a proposal to exempt private investment companies from the new charge. "The basic philosophy of the bill, to stop tax avoidance, bas nur support," he said.

In tbe longer term, further tax charges of this nature and more general tax increases are widely expected by the business community in order to stave off a widening government budget deficit.

More important, the democratisation nf Hong Kong, in anticipation of the 1997 transfer of sovereignty, is expected to lead to a substantial increase in welfare programmes and public expenditure. This in turn could bring an end to Hong Kong's position as an area of low tax.

Sir John Bremridge says he hopes that strong economic growth over the next few years will provide the extra revenne needed without any increases in tax rates nr new taxes. He rules out, in the immediate future, one widely touted proposal; the introduction of a Value Added Tax.

But the possibility remains of an extension in commodity taxes and a gradual increase in tbe rates of income and profits tax from their present levels nf 17 and 18.5 per cent.

Bond futures market for Japan

BY YOKO SHIBATA IN TOKYO

THE BOND MARKET special committee nf Japan's Securities Exchange Council, an advisory body tn the finance ministers, has recommended the creation of a bond futures market in its final report submitted to the minister yesterday. On the basis of the report, the MoF is expected to revise the Securities Exchange Law so as to allow the bond futures market to begin within the Tokyn Stock Exchange by October 1985.

According to the final report, a bond futures market is much in demand in Japan to protect investors from fluctuations in interest rates. Rates have become highly volatile reflecting the internationalisatinn of both the money and capital markets.

The council bas recommended that trading on the new market be confined to institutional investors in standard long-term government boods, and to direct participants in the market including not only brokers but also finaocial institutions who are presently dealing in governmeot bonds.

The report said that investors protection measures sbould include a limit on daily price fluctuations. Excessively speculative trading and price manoeuvring needed to be avoided in order to prevent the futures market's baving an adverse effect on the spot market, it said.

Institutional Investors have urged the government to create the futures market to assist them with the burden of coping with the ever-swelling government bond total. The new market will help dealers limit risks on loses from a plunge in bond prices.

The amount of Government bonds that will be outstanding by the end of tbe year to Marcb 1985 is estimated at Y120,000bn ($486.4bn). Any drop in bond prices incurs huge losses for major bondholders.

The Securities and Exchange Law currently limits membersbip of the Tokyo exchange to Securities Houses. The MoF's amendment to this law during the current Dict session would broaden this to "those authorised to engage in the securities business." Banks, however, would not be permitted to undertake broking business.

Bond futures trading is also being prompted by the possibility of greater interest rate fluctuations ariisng from liberalisation moves now under way. Interest rate libarelisation is expected to accelerate following the planned issue of sbort-term government bonds beginning in March 1985. These will be on top of the massive amount of long-term government bonda issued to cover the bodget deficit. Against the likelihood of a mounting volume of government bonds outstanding and more volatile interest rate fluctuation, bondholders welcome futures trading to guard against the downside risks.

Sharp rise in profits at ICI Australia

By Lachlan Drummond in Sydney

ICI AUSTRALIA'S net earnings have risen to A$64.7m (US$55.3m) for the year to September 30. Improved sales volume has translated rapidly into an improved bottom line. Last year net profits totalled A$24.07m.

Sales were 11.7 per cent higber at A$1.48bn, against A$1.33bn. The rise in turnover reflected a 10 per cent increase in volume for the year. Higher demand evident in the second half of the previnus year flowed through into 1983-84 olthough some moderation was apparent in the closing months, said the company.

Second-balf net earoings fell by A$4m to A$30m compared with thet first-balf total, but were still well up on the comparative 1982-83 figure of A$23m.

Selling prices of many of the company's products were held down by competition, particularly from imports, and price changes were generally below the level of inflation.

Sales of industrial and speciality chemicals were higber, bul profits from this sector did not improve at the same rate, and while there was substantial improvement in plastics volume, profits are expected to remain inadequate uniil capacity is better used. A new gasoline plant opened in December continues tn operate below capacity.

Beller sales and improved operating performance belped explosives, pharmaceuticals, paints and animal bealth nperations, while the currency devaluation knocked A$6m off the New Zealand returns.

The latest result show the benefit of investment allowances relating to the new gasoline plant and, reflecting this, pre-tax profits were ahead by a 78 per cent from A$55.9m to A$99.4m. The year's results were also helped by a drop in interest charges, from A$30.5m lo A$12.7m. The final dividend of nine cents a share takes the total from 15 cents to 16 cents.

Kevin Done on plans to stave off bankruptcy at a Swedish shipping line

Saleninvest plays out its hand

THE POKER game surrounding the future of Saleninvest, Sweden's biggest shipping company and the world's largest operator of refrigerated cargo vessels, is fast approaching a climax.

With losses mounting rapidly the group is desperately in need of the SKr 1bn ($113.4m) rescue package it proposed to its leading creditors at the beginning of November.

The main burden of any rescue will have to be borne by the Swedish state and Skandinaviska Enskilda Banken (S-E Banken), Sweden's biggest commercial bank and Salens' house bank, but the Government at least is proving a reluctant participant.

Under the original rescue plan put forward by Saleninvest, the state which has guaranteed more than SKr 3bn or around a third of the group's debt, would have contributed more than SKr 500m to the rescue, chiefly by transforming guarantees into loans on very soft terms. This would be treated as equity under Swedish accounting rules.

The state is playing tough, however. The Social Democratic Government, which was returned to power two years ago after six years out of office has moved determinedly to cut the subsidies granted to ailing industries.

Instead of bailing out crisis sectors of industry it has concentrated on stimulating growth sectors and encouraging increased research and development. It has sated explicitly that bankruptcy is an acceptable form of industrial restructuring.

In the case of Saleninvest, the government argues that a bankruptcy would not cost the state much more than SKr 200m, and so is understood to have offered to underwrite no more than around SKr 190m of an eventual rescue. The banks are still arguing for at least SKr 265m, plus other possible assistance.

The government can hardly be lenient, however, having announced yesterday that it was not prepared to save the state-owned Uddevall shipyard where 2,300 jobs will be lost.

Saleninvest has argued all along that in the case of a bankruptcy the state's losses would be far greater. The distress sale of its fleet would only further depress the already woefully low level of second-hand values in the crisis-ridden world shipping market.

The government's negotiating tactics are increasing the pressure on the banks to make further substantial concessions. The position is particularly sensitive for S-E Banken, Salen's house bank and by far its leading private creditor.

Mr Jacob Palmstierna, a joint managing director of S-E Banken has been in a privileged position to follow from the inside the development of Saleninvest's finances.

At the beginning of the crisis the bank laid its prestige on the line with a message to Saleninvest's main trading contacts maintaining that it was "of the opinion that a basis exists for a realisation of such a restructuring, based on a programme of measures presented by Saleninvest."

According to the latest outlines of the rescue package Salens' five main creditor banks, S-E Banken, Bank of America, PKbanken, Svenska Handelsbanken and Sparbankernas Bank should contribute around SKr 375m in interest write-offs, although only SKr 350m has so far been agreed on. S-E Banken's share alone would probably be SKr 150-200m, more than three times bigger than that of any other bank.

Around 15 smaller foreign creditors have been asked to contribute around SKr 150m, and as much as SKr 150m in new equity capital is supposed to come from the main shareholders, the Salen family, which directly or through a trust controls more than 60 per cent.

At the end of last week in a surprise move two small Stockholm investment banks, Gyllenhammar and Partners and STC Finans Holding and Consensus, a brokerage house, offered to guarantee a SKr 300m issue of new equity in Salens, but it is understood that the main creditors have reacted coolly to the proposal.

The various conditons that the investment bankers insist must first be fulfilled by the company and its creditors are held to be unrealistic.

Even if the banks and the state do finally go along with a rescue package it is expected that Salens will also have to wring some concessions out of its main trading contacts, the many shipowners around the world in the Far East, Europe and North America, whose vessels are operated by Saleninvest.

If an orderly reconstruction is finally achieved, Saleninvest's management accepts that it will be a very different company. Currently all the main operating divisions, reefers, dry cargo, tankers and drilling rigs are running-up operating losses. Saleninvest has now made operating loses for seven of the last 10 years, that is losses before ship sales and extraordinary capital gains of more than SKr 1.6bn.

The latest estimates for operating losses this year are in excess of SKr 800m, although asset sales will reduce this to around SKr 450m before tax and allocations to reserves.

It is a tribute to the group's financial strength tht it has only now fallen into such dire straits. But its powers of resistance are weakening.

It is now dependent on the state and other creditors for survival, and on the gamble that they believe will lose more through a bankruptcy than a reconstructon.

THE SEVEN YEAR RECORD

	Revenue SKrbn	Operating Loss† SKrm
1977	20.1	244
1978	2.23	276
1979	2.9	22
1980	3.5	*61
1981	4.6	*64
1982	4.9	328
1983	5.3	344

* Profit † Before fleet disposals

OPERATING losses of Saleninvest are rising alarmingly. They are expected to exceed SKr 800m ($90.7m) (before ship and other asset sales) this year according to new estimates given to the group's main creditors.

The Salen's board is due told hold a crucial meeting today to consider the results of a second control audit. If more than half of its SKr 150m equity has been exhausted it would have to call a shareholders' meeting, which could be the first step towards liquidation or bankruptcy.

Negotiations between the Swedish Government and the company's leading creditors, including Skandinaviska Enskilda Banken and Bank of America have failed so far to reach agreement on a SKr 1bn rescue package.

Around 15 foreign creditors were called to Stockholm on Monday for talks with the company and with S-E Banken. They were asked to accept write-offs of more than SKr 150m and have been asked to respond by Friday.

The foreign creditor group includes Bank of Tokyo, Paribas Asia, Chemical Bank, Midland Bank, Marine Midland, Hong Kong Shanghai Shipping, FNB of Maryland, FFI UK Finance, FPG and H. Clarkson.

The state has guaranteed around SKr 1.3bn of Salen's borrowings, while the banks have lent an additional estimated SKr 2.7bn. Of this S-E Banken accounts alone for some SKr 1.3bn.

Preussag continues to boost earnings

BY JOHN DAVIES IN FRANKFURT

PREUSSAG, the West German metals, energy and transport concern, has continued to boost parent-company earnings.

The Hanover-based concern said yesterday that third-quarter profit this year was considerably above that of the same period last year, although it gave no details.

Preussag indicated recently that this year's earnings would again enable it to pay an DM 8 dividend a share on its increased capital as well as to strengthen its reserves. The dividend decision will not be made, however, until well into the new year.

After an earnings setback in 1982, Preussag last year lifted parent-company profits by 13.5 per cent to DM 80m ($25.8m), while the profits of its domestic group rose 65.6 per cent to DM 114m.

In its latest interim report, Preussag said earnings this year were boosted by satisfactory zinc prices and higher oil revenues in terms of D-Marks because of the strong U.S. dollar.

The domestic group's sales revenue in the first nine months of this year reached DM 3.48bn, up 14 per cent on the same period last year. Sales of Preussag's domestic group make up nearly a third of the group's worldwide sales.

Sales revenue from metal activities rose 49.3 per cent to DM 134bn and coal revenue was up 10.9 per cent at DM 828m. Transport revenues were 15.9 per cent lower at DM 368m.

Phillips suit claims Pickens' bid 'illegal'

BY OUR NEW YORK STAFF

PHILLIPS Petroleum, the ninth biggest U.S. oil company, yesterday, as expected, sued Mr T. Boone Pickens and his associates for "systematic and widespread violations" of federal securities laws in connection with their attempts to take over the company. The suit, filed in a U.S. district court in Delaware seeks injunctive relief and $10m in damages.

Phillips alleges that Mesa Partners, Mr Pickens's partnership which is leading the fight for Phillips, and Mr Pickens himself have made misleading statements about their ability to pay the $60 a share tender offer price to all shareholders. The Pickens group is planning a $1.38bn tender offer for a 15 per cent stake in the company, but this has been delayed because of legal difficulties.

The Phillips suit also accuses the Pickens group of failing to disclose plans to break up Phillips to finance the bid.

Earlier, in its first public comment since Mr Pickens and his partners announced their offer for 15 per cent of Phillips, Phillips's board did not comment on the offer

Orsan/Celanese

IN yesterday's report it was incorrectly stated, due to a typographical error, that Orsan would have 10 per cent control of three Celanese subsidiaries, Harris, Moran and Celprill. The correct figure is 100 per cent control.

BMW pursues high export sales while maintaining exclusive image

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VEHICLE EXPORTS to the U.S. from West Germany this year are likely to be as much as 100,000 more than the 278,000 shipped in 1983. German manufacturers have been accused of diverting as many cars as possible to the U.S., while there are fat profits to be made from selling them for dollars, riding high in the foreign exchange market.

But at Bayerische Motoren Werke, Dr Eberhard von Koerber, the world sales director, says his company's 18 per cent projected jump in sales to the U.S. this year, from 63,000 cars to an estimated 75,000 is no more than in line with hte corporate long-range plan.

BMW has been short of cars since May, when the German metal workers' strike brought production to a halt for over a month. As the company has no more spare production capacity, there has been no question of diverting cars to the U.S. while dealers in every one of 100 or so markets have been crying out for them.

Herr Eharhard von Kuenheim, BMW's chairman, says, that, by working through the normal holiday period in August, BMW caught up with some of the lost production. But it will still end 1984 with a shortfall of between 25,000 and 28,000 cars — and 1,000 to 2,000 motor cycles — compared with scheduled output.

BMW's net profit for 1984 is forecast to be higher than the DM 288m ($93m) last year — "but we missed an opportunity," Herr von Kuenheim adds.

Dr von Koerber points out that BMW's progress in sales volume terms is limited by lack of further capacity; ahead of the new DM 1bn car plant at Regensburg in Bavaria coming on stream in 1986.

Until that time the company is set to go through a period of "qualitative consolidation."

Therefore car shipments to the U.S. in 1985 are not to be much above those for this year. "We don't want to push too hard. We would prefer the "pull" effect to keep our exclusivity value," says Dr von Koerber.

Neither are car prices to be boosted by the parent company to compensate for the lack of volume growth. But he points out that the wholly owned U.S. subsidiary is responsible for setting retail prices in the U.S., not the German parent.

Herr von Kuenheim says it is ironic that BMW now faced accusations of "profiteering" in the U.S. when only three or four years ago the U.S. Federal Trade Commission investigated the company's car pricing policy because of allegations that it was "dumping" cars in the U.S.

The voluntary restriction on the shipment of Japanese cars to the U.S. had had the effect of lifting average car prices — of all makes — by about $1,000 each compared with what prices would have been in an open and free market, he maintained.

Herr von Kuenheim respects the idea that BMW should set up an assembly plant in the U.S. To compensate for increased sales there, BMW is buying more from the U.S. — including air conditioning units, machine tools. "That's a better way to balance trade," he argues.

The fact that BMW could stamp its cars "Made in Germany" still meant a great deal in marketing terms. And he insists that BMW's reputation will protect it as the Japanese producers move up-market in an attempt to invade the niche for sporty, luxury cars in which the German company has established itself.

Dr von Koerber argues: "Selling a car is not juest a question of selling a good car at a good price. Many other things come into the calculation. It is a matter of reputation, status, the distribution network, resale value and so on.

"This is particularly true in the luxury car market. Our customers are mature enough to recognise those advantages."

BMW is now tackling the Japanese on their home territory with its own subsidiary in Tokyo, he adds. The German company now has several hundred people working in Japan—"So we are in a position to compare what the Japanese have in the pipeline with what we have."

BMW car sales in Japan rose 56 per cent in the first half of 1984, to 4,178. The numbers are small, but so are total imported car sales in Japan—only 20,238 in the first half. BMW now appears as the biggest-selling name plate among the importers in Japan, but Volkswagen can also claim a first place, once it adds in the cars it sells with the Audi badge on them.

Dr von Koerber maintains that BMW has made substantial progress in the Japanese market by overlaying Japanese traditions with German marketing expertise.

BMW had concentrated on upgrading its dealer network in Japan and promoting its cars in a way similar to that it uses in the West. All over the world, it seems, there are certain people who react favourable to the concept that there can be "symbiosis of man and machine."

One of the major difficulties BMW faces in Japan is that the "grey" import business, parallel with the official, is thriving to the extent that 40 per cent of the BMW cars registered there this year will be unofficial imports.

Not only will they come through unofficial importers, but they will also fail to meet Japan's emission control regulations, the most stringent in the world. Their import is, however, according to Dr von Koerber, allowed by the Japanese Ministry of Trade and Industry as a measure of non-tariff protectionism, aimed at preventing official importers building up strong and profitable dealers networks in Japan.

Unofficial importers are charging about 10 per cent less than official BMW dealers, according to Dr von Koerber. The effect is to weaken the financial position of the official network and to make the BMW franchise in Japan less attractive.

Dr von Koerber admits that BMW's official prices are "too high" in Japan. The range sells from between Y4.2m (about $17,000) and Y9.6m. This is a matter to be put right; not with a cut in prices, however, because that would disturb the BMW image. One method lies in offering finance at 9.5 per cent against the 15 to 18 per cent normal in the car business.

Dr von Koerber insists that BMW should be selling 30,000 cars a year in Japan rather than doing 6,000 or so. He predicts that the Japanese car market will gradually be liberalised, and that BMW ultimately will reach such a goal.

BMW's capital expenditure will continue to run at about DM 1bn a year, and this should all be financed from internal resources.

Herr von Kuenheim holds out little hope that BMW can spread some costs by way of joint ventures with other car manufacturers — a policy being widely advocated by some worried about the European industry's inability to generate enough cash for investment.

Five years ago, he reveals, BMW contemplated a joint venture with Jaguar of the UK, involving the Germany company taking a controlling interest. "But the British Government wanted Jaguar to remain British," so the deal fell through.

Herr Eberhard von Knenheim (left) and Dr Eberhard von Koerber

Ray Maughan analyses Ladbroke's motive in bidding £67m for a hotel chain

Seeking second place with Comfort

Ladbroke Group is advancing on three broad fronts. The bookmaking business is expanding in Europe, notably Belgium, and the U.S., the property arm is helping to change the silhouette of the New York skyline and the hotels division is now focussing on Comfort Hotels as the principal target of its takeover ambitions.

Although Mr Cyril Stein, the chairman of Ladbroke, candidly odmits that his hotel operations are dwarfed by Trusthouse Forte, a successful bid for Comfort would immediately taka him from one of the back markers among the quoted hoteliers into a place near the front of tha field.

On his reckoning, THF owns 21,225 hotel bedrooms in the UK but the addition of the Comfort chain of three-star hotels around the country would bring Ladbroka up to second position with 6,247. In third place, by Ladbroke's calculations, would be Crest with 5,703 rooms and then Mount Charlotte, 5,640, Scottish & Newcastle's Thistle chain, 4,656 and Queen's Moat, 4,581.

In geographical terms, Ladbroke's 35 hotels and Comfort's 22 hotels are thought to complement each other and the deal would give the bidder the presence it has been seeking in some of the big midlands cities, Birmingham and Leicester among them.

Mr Cyril Stein, chairman of Ladbroke

Whether Mr Henry Edwards, founder and chairman of Comfort, sees the advantages in this light is quite another matter. His response to the £43m bid from Intasun Leisure was immediate and vehemently opposed but with the stakes now raised by almost another 20p per Comfort share, Mr Edwards was understandably taking longer to react to Ladbroke's approach.

One of the key issues is tha deal with the Prince of Wales Hotels business.

Given the consent of its own shareholders, Comfort has that £15m deal in its pocket since Taddale is irrevocably pledged to take 98p cash per shore for a 51 per cent holding.

Both Comfort's suitors are opposed to the Prince of Wales proposals and Mr Stein, for one, will be hoping to get tha same returns from Comfort's existing chain of 22 outlets as his Mercury outlets have already achieved.

His claim is that while Ladbroke's hotels achieved profits of £8m from 3,673 rooms last year, Comfort will only be making £3.5m (using an overage of several stockbroking estimates for the current year) from 3,420 rooms. Mr Stein admits that the comparisons are imperfectly drawn since Comfort has almost 1,000 rooms overseas while his own business is entirely indigenous.

Intasun's reaction is hard to guage and may not be formulated until after the Comfort extraordinary meeting convened to sanction — or throw out — the Prince of Wales proposals. But the holiday group is committed to a leisure diversification into this sector and Intasun revealed yesterday that it has started talks with Ramada Hotels with a view to putting together o joint business to manage or develop hotels throughout Europe.

The incentiva for both of Comfort's suitors is the effect on room rates finally caused by the imbalance of supply and demand in the UK market. Although Ladbroke is putting on an additional 1,000 rooms through an extension programme, the hotel building programme virtually stopped in 1973 and rising demand is now enabling Ladbroke to achieve o 10 per cent increase in tariffs this year.

The stock market was taking o sanguine view of the possible knock-on effects of this four cornered contest and marked both Queens Moat and Mount Charlotte up 2p opiece to new annual peaks of 59p and 74p respectively.

Ladbroke is offering five new ordinary shares for every 14 Comfort ordinary shares and a cash alternative of 85p per Comfort share. The bidder will meet the cash element of the alternative in respect of the first 11.76m Comfort shares electing to take this option at a total cost of £10m.

Morgan Grenfell, advising Ladbroke, has undertaken to underwrite the balance of the cash element in respect of up to 17.84m Ladbroke shares at 230p per share. This would procure o cash offer of 82.143p and Ladbroke will top this up to 85p with an additional payment of 2.857p per share.

Ladbroke shares fell 8p to 243p yesterday to value each Comfort share at 86.79p against a closing market price of 86p, up 15p. Assuming full conversion of the £7.8m 7½ per cent convertible loan stock 1997/2001 issued by Comfort in the May rights issue, Ladbroke's terms value the hotels group at £67.44m.

The bid is conditional on the withdrawal or lapsing of Comfort's bid for Prince of Wales Hotels, a condition which Intasun Leisure Group has also stipulated. Intasun's bid of two new ordinary shares and 130p in cash for every five Comfort shares was worth just over 70p per Comfort share taking Intasun at 112p, up 4p yesterday.

Carlton Comm. in U.S. video expansion

BY MARTIN DICKSON

Carlton Communications, the video technology and communications group, is buying California-based Abekas Video Systems in an agreed deal costing $12.8m (£10.7m) initially, and up to a further $17.2m over five years, dependant on profit performance. It is funding the takeover with a one-for-six rights issue at 485p a share to raise £13.25m.

Carlton coupled this announcement yesterday with results for the year to September 30 showing pre-tax profits up from £3.5m to £5.5m, a rise of 58 per cent. Its share price rose 60p on the day, closing at 625p.

Tha acquisition is the latest and largest in a series of video and TV-related purchases by the company, which only gained a listing in February last year. It also marks a significant move into the U.S. market.

Abekas develops, manufactures and markets digital video products used in information storage and processing by the U.S. TV industry. Its clients include the American Broadcasting Corporation and the Canadian Broadcasting Corporation.

Mr Michael Green, Carlton's chairman, said yesterday that the acquisition was an "exicting expansion" of tha company's existing activities, creating an international digital video electronics company well poised to launch and market new and existing products."

Abekas' three founders own 50 per cent of its equity, with a substantial proportion of the balance being held by institutional investors.

Some $11.05m of the initial payment of $12.8m will be in cash, with the balance in Carlton shares. Abekas' founders are entitled to further payments over the next five years on the echievement of sales and profit forecasts, up to e maximum of $17.2m if sales of $41.8m and pre-tax profits of $15.2m were achieved by 1989. Abekas has forecast pre-tax profits for the year ending March 31 of not less than $2m.

The rights issue, underwritten by Hambros Bank, is Carlton's second in 12 months. This time last year it raised £7.74m for expansion through a one-for-five issua.

Mr Green said yesterday that Carlton directors were not taking up their rights to 1.4m shares — half the new issue — which were being placed in the market. This would give new institutional investors a chance to buy shares, while tha *rights* issue gave existing shareholders an equal opportunity to participate in the expansion. The move means that the company's directors now hold about 45 per cent of its equity.

In the year to September 30, Carlton's turnover was £21.8m against £15.3m recorded when 1983 results are restated to include the acquisition of Carlton Superbire. Profits after tax were £3.5m against £2.04m in 1983 and the retained profit for the period was £2.92m, against £1.3m.

Earnings per share rose 48 per cent, from 14.6p to 21.6p, and the final dividend of 4.05p net brings the total for tha year to 8p net, a rise of 33 per cent.

Bunzl buy again

Bunzl has mode three further acquisitions costing £1.4m in its fast growing poper distribution division. Two of the companies are in the U.S. and the other la in Australia.

Combined turnover of the companies is £8m with pre-tax profits of £400,000. At the date of the acquisition the total value of the net tangible assets was £900,000.

Barlow/Majedie link-up

Barlow Holdings and Majedie Investments, which have closed links through cross-shareholdings and common directors, are holding merger talks.

The two investment companies said yesterday that they planned to effect the merger through a scheme of arrangement. Shareholders in Barlow would be able to exchange their shares for those in Majedie on the basis of asset values, or for cash at a discount to asset value.

Cash would be available to a limited extent and, if elections were received for more than this limit, they would be scalad down.

Barlow's investments include a 28 per cent stake in Majedie, which in turn owns 20 per cent of Barlow. Both companies are chaired by Mr John Barlow and include other members of the Barlow family on their boards.

Both Barlow and Majedie once held substantial stakes in Malaysian plantations, with Barlow selling out its interests in 1982-1983. At the time, there was considerable opposition from institutions to Barlow's change of direction.

A spokesman for Barlow said yesterday that a merger between the two companies had been under discussion for a considerable tima and stemmed from pressure by institutional shareholders. He could giva no indication of the likely timescale.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
AB Engineering ......int	Nil	—	0.38	—	0.86
Berkeley Group‡ ......int	1.2	Feb 15	—	—	‖
Frederick Cooper	1.24	—	1.15	1.77	1.65
Fleming Ovs Invest ...int	1	Feb 18	1*	—	2.33*
IC Gas ....int	5.25	Feb 11	4	—	12.5
Inn Leisure‡	0.42†	—	0.42	0.42	0.42
McCarthy & Stone‡	1.6	—	1.25*	2.18*	1.75*
McCorquodale	3.4†	—	3.13¶	5.4	5¶
McLeod Russel	4.5	Feb 14	6.67*	11.5**	6.67*
Meyer Intl ....int	1.8	—	1.65	—	4.75
Parkfield Group ......int.	0.8‡	Feb 15	Nil	—	Nil
Plaxtons (GB)	3	—	3*	4.5	4.5*
Wight Collins ....int	0.75	—	0.63*	—	2*
Wolverhampton Brewery	5.05	Dec 18	4.55	7.6	6.85

Dividends shown pence per shara net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Adjusted for subdivision. ‖ Total 3.8p net forecast. ** For 18 months.

Small shareholder blocks £4m offer for Romai Tea

BY CHARLES BATCHELOR

A SMALL shareholder in Romal Tea Holdings has stapped in at the last moment to block the completion of an agreed bid valuing Romal at £4.37m from George Willliamson, a private company owned by Romai chairman Mr Richard Magor.

It emerged yesterday that Mr John King, a chartered accountant, had raised objections in the High Court to the sanctioning of the scheme of arrangement for Williamson to buy the outstanding 49 per cent of Romal it did not already own.

Barclays Merchant Bank, which is advising George Williamson, said it had assents from the holders of 94 per cent of the outstanding shares—comfortably above tha 75 per cent required —but Mr King had raised objections.

Mr King was one of a group of shareholders owning together about 60,000 shares who had objected to the bid. These shareholders, whose campaign was orchestrated by stockbrokers Rusell Wood, agreed to the offer after it was raised from £7.50 to £11.25 a share.

Mr King, who has a personal holding of 525 Romal shares, said he objected to Mr Magor's failure to provide information affecting Romai's profits in 1984 and 1985. The High Court hearing will be resumed later this week.

Johnson Matthey offer result

The subscription to the £25m convertible preference share offer by Johnson Matthey has been taken up by shareholders entitled to 10.25m shares leaving Charter Consolidated to take up the balance of 15.04 mshares.

Charter, which started with o 27.9 per cent stake in the speciality chemicals and refining group, would hava had a mbinimum of 33.3 per cent of the equity on conversion had the issue been subscribed in full, and a maximum of 46 per cent had all other shareholders turned down the subscription. As it is, Charter will now have a 35.9 per cent holding on conversion.

BIDS AND DEALS IN BRIEF

Nottingham Manufacturing Company made market purchases for its own occount on December 10 totalling 85,000 ordinary shares (0.78 per cent) in Johnson Group Cleaners ot 440p each. A further 95,000 shares (0.88 per cent) were purchased yesterday at the same price. Nottingham therefore owna around 11.1 per cent of the Johnson equity.

* * *

Lifecare International has acquired, for a total of £900,000 in cash, properties in North Wales and in Worcester which "fit neatly into the retirement care/health care market."

The North Wales property is as Deganwy, near Colwyn Bay, and is being purchased for £385,000. It has been independently valued at £410,000. The second purchase is of the Shrubbery Nursing Home in Worcester, for £395,000.

UK COMPANY NEWS

IC Gas taps Maureen for £12m

THE COMMENCEMENT of production from the Maureen oil field in September of last year has made a significant impact on Imperial Continental Gas Association's interim figures, which show an improvement of more than £13m.

The taxable surplus for the period to September 30 1984 was £11.98m, compared with a loss of £1.07m, but the directors point out that the midway result provides only limited guidance to the outcome for the year.

This is because the interim accounts include no contribution from Unerg, Petrofina and Intercom, representing the major part of the group's investments in Belgium, and because of the influence of winter fuel consumption on the year's overall performance. Pre-tax profit for the last full year was £50m, with income from allied companies contributing £7.26m.

Turnover for the half year—IC Gas has diversified interests in energy related industries—rose by 29 per cent from £204.7m to £264.5m, mainly due to higher revenue from oil operations but also to increases in the CompAir Group and in Belgium. There was a small decrease in the Calor Group. Trading profit came out at £45.94m (£12.97m).

All divisions showed an improvement at the pre-tax level and income from associated companies increased slightly, from £3.09m to £3.4m. The taxable result was after a substantially higher net charge for interest at £11.82m against £5.68m.

In order to further reduce the disparity between interim and final dividends, the directors have declared a midway payment of 5.25p net per share (4p). The total last time came to 12.5p.

The tax charge for the half-year was £3.04m (£751,000), and minorities accounted for £4.21m (£172,000). Earnings are quoted at 3.64p per share (1.53p loss).

● comment

The onset of production from the Maureen field and the acquisition of a stake in Forties were chiefly responsible for an impressive turnround at IC Gas. However, they have brought with them a highly taxed stream of earnings which has underlined the urgency of the group's search for suitable exploration and development spending against which it can offset its petroleum revenue tax liabilities. CompAir is responding well to earlier rationalisation, but despite a revival in demand from industrial customers, the construction equipment arm's sales were low enough to keep divisional volumes below pre-1980 acquisition levels in real terms. Calor benefited from a 2½ per cent advance in gas volumes, although that was offset by a 15 per cent slippage in transport sales and a £201,000 translation loss on its dollar debts. At least £70m looks in reach for the group this year, leaving the shares, up 8p to 316p, on a prospective multiple of 10.4 after a 28 per cent tax charge, with the yield at 6.6 per cent.

Strong tea prices aid McLeod Russel

STRONG GROWTH in earnings has been achieved in the 18 months ended September 30 1984 by the McLeod Russel group of plantation, property and manufacturing companies, while its profit before tax came to £12.02m. This goes against the reported £7.51m for the 12 months to March 31 1984 and £4.94m for the year 1982-83.

The final dividend is 4.5p for a net total of 11.5p over the period, an increase of 1p on an annual basis; and there is to be a further scrip issue, this time of 1-for-3.

Chairman Mr John Guthrie says the new year has started well. "With tea and coffee prices remaining high, barring any natural disasters, we look forward to the future with considerable confidence."

In India the price of tea has substantially increased the group's 40 per cent share of profits to £5.53m. Subsidiaries in Kenya produced a profit of 2.35m, (1.11m previous year), with tea giving a good account of itself, while the share from the associate was £982,000 (£675,000).

Joseph Mason, the UK paint manufacturing business, showed profits of £2.1m (961,000), Arthur Edge, drop forgings, encountered weak prices and strong competition and finished with a profit of £154,000 (£145,000).

After tax £6.74m (3.43m) and minorities £387,000 (445,000), net profit is £4.9m (£1.07m). There are extraordinary charges £2.41m (credit £735,000) being mainly full provision against loss on the interest in a retail shopping centre at Baytown, Houston following bank foreclosure on the property. Earnings are shown as 69.93p (9.97p) per share.

McCarthy & Stone seeks £17m

BY STEFAN WAGSTYL

McCarthy & Stone, a pioneer of sheltered housing for the elderly, is asking shareholders for £16.7m to fund its expansion plans, with a rights issue of convertible unsecured loan stock.

As well as proposing to start 3,000 homes in 1984-85, against 1,200 last year, the company is investing in a new venture—a chain of nursing homes for those too infirm to live on their own.

McCarthy also announced pretax profits up nearly 86 per cent to £6.8m for the year to the end of August, on turnover increased 65 per cent to £21.6m.

Final dividend of 1.6p net makes 2.18p for the year, adjusted for scrip issue, against 1.75p total last year.

The company sold 737 sheltered homes, up from 492. In the first three months of the current year, McCarthy sold 162 homes, against 195, but a further 310 sales are in train, against 190.

The rights issue is the second in a year. Last December, the company raised £12.1m in a one-for-four issue. Now, shareholders are being offered 7 per cent convertible unsecured loan stock 1991/2004 on the basis of £2 nominal for every five ordinary shares held. Each £100 of stock will be convertible into 43 shares, an effective conversion price of 232.56p. Yesterday the shares closed down 10p at 210p.

The company's co-founders Mr John McCarthy, the chairman, and Mr William Stone, a director, are not taking up their rights, so the issue will eventually reduce their combined holdings to 48 per cent of the equity.

McCarthy says it wants to maintain its position as the leading constructor of sheltered housing for the elderly. Its investment in nursing homes will begin with two sites, on the seafront in Bexhill, Sussex, and at Upton Manor, in the Wirral. Another four developments could be underway by the end of 1985.

So far, the company has built homes, albeit with a warden and communal rooms, for elderly people able to care for themselves. In the new venture, residents will receive domestic help, including meals, and where necessary, nursing care.

● comment

Running nursing homes is a very different business from building housing, albeit for the elderly. McCarthy and Stone's plans are a fairly radical extension of a successful formula, but one which deserves shareholders' support. First, while the company remains the acknowledged leader in the lucrative construction of sheltered housing, the big groups are eyeing its margins enviously. McCarthy is right to diversify before the opposition moves in. Secondly, the company has prepared carefully for providing a wider range of services for the elderly. Finally, the core construction business is to continue growing as strongly as ever, spreading from its South Coast origins to other parts of the country. The shares then merit their premium rating. Assuming current year profits of £12.5m pre-tax and a 40 per cent tax charge they change hands on a multiple of 12.5, fully diluted.

Business is buoyant for Standard Life

Standard Life Assurance, Scotland's largest life company, reported buoyant new life and pensions business for the 12 months to November 15, 1984.

Despite the loss of Life Assurance Premium Relief (LAPR) in this year's Budget, new annual premiums in the UK rose 12 per cent from £74.6m to £83.7m, while single premiums advanced nearly 50 per cent from £74.5m to £108.4m.

The company's mortgage related business showed a drop of only 7 per cent in new annual premiums to £49.3m, even though 1983 results were boosted by the effects of MIRAS. New annual premiums on normal endowment and other life business remained unchanged at £7.5m.

The company's main success story lay in the field of individual pension contracts. Self-employed pension annual premiums more than doubled to £15m, while single premiums climbed 90 per cent to £23.7m. Executive pensions were somewhat less buoyant, new annual premiums rising 40 per cent to £5.5m and single premiums by a third to £7.6m.

Group life and pensions business showed a 14 per cent growth in total premium income to £237.8m, with 256 new insured schemes being set up—including 68 with profit money purchase, 60 final salary controlled funding and 85 group life.

Unit-linked business continued to grow, with new annual premiums up nearly 90 per cent to £3.4m, but single premiums up only 4 per cent to £48.6m.

New life and pensions business was buoyant in both the Irish Republic and Canada.

Private placing for Crantech

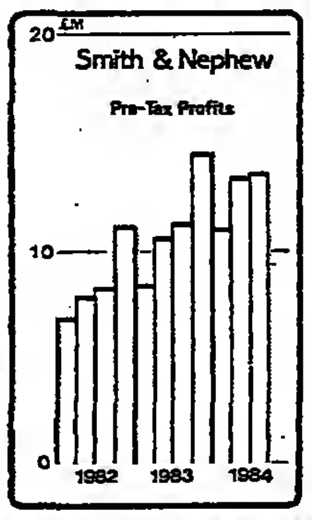
Mathercourt Securities is placing up to 141,000 ordinary shares of 10p each at 75p per share in Crantech Robotics Industrial Systems under a business expansion scheme.

Crantech was formed to manufacture and market the Polar Robot, a microprocessor-controlled robot specifically designed to apply adhesives, liquid gaskets, sealants and other similar products, but with a reprogrammable ability to perform other industrial functions.

Smith & Nephew 25% ahead at £38m

THIRD PERIOD taxable profits at Smith & Nephew Associated Companies rose by £2.37m to £13.44m on turnover ahead at £111.56m compared with £92.36m.

This left the total profit for the 40 weeks to October 6, 1984 ahead by 24.9 per cent at £37.58m against £30.08m. The company manufactures surgical, medical and sanitary products, textiles and clothing, toiletries and plastics.



Turnover for the nine months was up by 14.6 per cent to £279.51m and generated operating profits of £35.93m, an increase of 22.8 per cent on last year's comparable £29.27m. Taxable profits were struck after a net £2.58m (£2.97m) cost of borrowings.

Earnings per share show a 23.5 per cent rise from an adjusted 6.31p to 7.79p, after a £12.97m (£10.3m) tax charge. Minority interests accounted for £14,0000 (£15,000).

The company has completed the acquisition of the outstanding part of Smith & Nephew Iberica S.A., Barcelona, and the purchase of H. Cote Inc., Montreal, for a total combined cost of £6.3m cash. Sales and operating profits attributable to the two companies have been included in the results.

Reduced demand hits Meyer but interim increased to 1.8p

DESPITE REPORTING a reduction in first-half profits from £16.52m to £16.08m, the board of Meyer International is raising the net interim dividend by 0.15p to 1.8p per 25p share. Mr Ronald Groves, the chairman, reiterates that the full year result should be similar to the previous year's £32.74m.

Turnover for the six months to September 30 1984 rose slightly from £279.77m to £284.05m. The group has interests in forest products, manufacturing and timber and builders' merchanting. At the trading level, profits were down from £19.39m to £18.28m.

The chairman reports that during the first half the workload of that part of the construction industry in which Meyer is principally engaged, relating to housing in all forms, has been marginally less than for the same period in the previous year.

Accordingly, a lower demand for group products led to somewhat more competitive conditions and in the circumstances, he says, the slightly reduced trading profit may be regarded as satisfactory, particularly in view of costs arising from the continuing change in the shape of the business.

Borrowings continued to fall, giving a lower net interest charge of £2.55m (£3.48m). Profits on sales of tangible assets were lower at £325,000 (£795,000) and related companies' contribution was £18,000 (£255,000).

After tax of £6.84m (£6.69m) and extraordinary credits of £273,000 (£167,000) the attributable balance dropped from £10.4m to £9.51m. Earnings per share fell from 10.62p to 9.59p.

● comment

The market's first reaction to Meyer International's results sent the shares down from 121p to 114p on pre-tax profits £600,000 lower than last year's. But the company's reassuring hint of full-year profits similar to 1983-84's £32.7m pushed the price back to 120p. Changing hands on a prospective multiple of about six, Meyer looks undervalued. Admittedly, the building cycle is now in its downswing and unlikely to recover strongly until 1986. But the price does not take full account of Meyer's efforts to reduce net debt, down to £32m, control stock, and to build up its merchanting and manufacturing businesses. Also it is rationalising its overseas operations at a cost of about £1m, taken in these figures above the line. These measures mean that Meyer should ride through the trough of the cycle much better than in the past and be far better placed to take advantage of the next upswing. In profit terms, while 1985-86 is unlikely to show much advance on this year, it could make considerably more thereafter. The discount to others in the sector is too large.

Lake & Elliot £0.4m in the black

Lake & Elliot, maker of steel castings and valves, swung round from a £1.25m loss to a pre-tax profit of £0.43m in the year to September 30 1984. Although there has been a healthy improvement in the group's financial situation, the board considers it prudent to delay the decision to resume dividends until next year. The last payment was a 1p net interim for 1981-82.

With the exception of one subsidiary, all group operating companies improved pre-tax results compared with 1982-83. The directors say the group's overall trading performance, particularly in the second half, has been encouraging.

Turnover for the year fell from £20.77m to £16.62m. However, despite the unfavourable climate of the markets in which the group's various subsidiaries trade, sales have shown an upward trend over the past few months.

Relatively short order books make long term forecasting difficult, the directors state, but recent progress should be maintained.

The order book remained static in the first half of the year under review, but in the second half there was an increase of 19 per cent.

The directors report that as exemplified by a dramatic reduction in borrowings, there has been an improvement in the group's financial position. The company will now be able to enter into capital projects to implement long term strategy and to finance an expansion of turnover.

Gross profits slipped from £4.61m to £4.17m. Pre-tax figures were after interest payable of £365,000 (£543,000), redundancy costs of £241,000 (£492,000) and other operating expenses totalling £3.13m (£4.86m).

Tax charge was £3,000 (£8,000 credit) and stated earnings per 25p share came out at 4.3p (12.8p loss). There was also an extraordinary credit of £217,000 (£3.64m debit).

AB Engineering in loss but recovery under way

FOLLOWING LOSSES in all its three opearting divisions, Associated British Engineering incurred a pre-tax deficit of £915,000 for the six months to September 30 1984, as against a £394,000 profit last time. However, the company expects to trade at around break-even in the second half and return to profit in 1985.

For the previous full year, the company suffered a pre-tax loss of £258,000 (£1.02m profit) and omitted the final dividend. There is now no interim

Group turnover rose from £16.23m to £16.71m. Operating losses totalled £494,000, compared with £719,000 profits. The deficit (surplus) was split as to: distribution £209,000 (£355,000); electrical engineering £88,000 (£295,000) and diesel power engineering £197,000 (£69,000).

The directors report that the distribution division had a very disappointing first half, but this was partly a reflection of action taken to redress margin problems. The result was also exaggerated by an exceptional pattern of sales in the Middle East. The division however, will return to profitability in the second half.

Losses per 12½p share are stated as 3.83p (1.82p earnings).

Centreway Trust

Financial services and industrial products group Centreway Trust incurred pre-tax losses of £22,000 for the first half of 1964, against £87,000 profits for the three months to the end of June 1983. Turnover came to £1.4m against £6.48m.

Berkeley Gp. turns in £0.9m maiden profit

IN ITS first set of figures since gaining a USM quotation last July, Berkeley Group, specialist housebuilder, has turned in a profit of £906,000 on turnover of £7.57m for the six months to October 31 1984.

The interim report provides no comparative figures. In recent years, says Mr J. D. Farrer, the chairman, the usual trend of house sales has been that about two-thirds of unit sales come in the second half. This year's results are likely to reflect a more balanced sales pattern.

In the last full year, taxable profits reached £1.53m on sales of £11.99m, with a £1.83m contribution from commercial development sales. The midway turnover was derived exclusively from residential building.

The group enjoyed a "particularly good market" for its homes in the half-year, says the chairman, despite the significant increase in interest rates at the time of the flotation.

Shareholders are to receive a maiden interim dividend of 1.2p net per share, with a total of 3.6p forecast in the placing prospectus. The payout will account for £38,405 after dividends waived by directors totalling £77,755. Earnings per share are stated at 5.1p for the half-year.

MINING NEWS

UK COMPANY NEWS

Echo Bay expanding gold interests via £46m acquisition

BY GEORGE MILLING STANLEY

Echn Bay Mines, operator of Canada's second largest gold mine, is further expanding its interests in gold through the purchase of Copper Range, a wholly-owned subsidiary of the New Orleans-based Louisiana Land an dExploration.

Copper Range's main assets are a half-share in the Round Mountain gold mine in Nevada, U.S., where it is the operator, and ownership of the White Pine copper project in Michigan, which was shut down in 1982. Mr Bob Calman, Echo Bay's chairman, said that Copper Range also brought with it an attractive range of gold exploration projects in Nevada.

Echn Bay is to pay U.S.$55m (£45.8m) in cash on completion nf the deal in January. In starting in 1989 based on receive a 3 per cent gross royalty addition, Louisiana Land will revenues from Copper Range's Nevada precious metal properties, with the royalty falling to 1.5 per cent once a total of $75m has been paid.

Mr Calman said that abent $30m of the purchase price would be financed through the sale of future ontput from its Lupin gold mine in Canada's Northwest Territories, and the remainder would be made up of a cobination of medium-term borrowings in U.S. dollars and possibly an issue of Echo Bay shares.

The company has already increased the level of forward sales of gold from Lupin, which is normally ebout 10 per cent of ontput, in anticipation of the takeover.

The acquisition will increase next year's gold output from Echo Bay to 260,000 ounces, compared with 179,000 ounces in 1984 and forecasts of 200,000 ounces in 1985.

In contrast to tha comparatively high-grade underground Lupin mine, Round Mountain is a large tonnage, low-grade open pit, which came into operation in 1977 and is expected to prodoce 120,000 oz of gold this year at a cash operating cost of around $250 pe rounce. Reserves are estimated at 167m tons at an average grade of 0.042 oz (1.3 grammes) of gold per ton, giving a total gold content of some 7m oz.

Mr Calman explained that the takeover fits in with Echo Bay's three-part strategy for expansion. Tho programme involves increasing gold production and cutting operating costs at Lupin, exploration for additional precious metal deposits, principally in northern Canada, and equisitions which will allow the company to capitalise on its proven skills in the mining and processing of gold.

Rising gold prices boost interims at Consgold

INCREASED interim dividends for the year to June 30 are declared by the South African gold mines in the Consolidated Gold Fields group. For the most part, they are about in line with market expectatinns, reflecting the increased profits that have followed in the wake of the rising gold price in terms of rands.

The big Driefontein Consolidated is raising its interim by 10 cents to 115 cents (52p) following the 1983-84 better-than-expected final of 170 cents. Kloof is liftingi ts latest payment by 30 cents tn 160 cents; the previous year's total was 330 cents.

After having paid an unchanged total dividend of 200 cents for the past three years, Doornfontein is again paying an interim of 80 cents; the mine has a heavy capital expenditure programe, although this has virtually removed its mining tax liability.

Libanon is modestly raising its latest interim by 10 cents to 120 cents following the June final of 140 cents; cash reserves built up in past years are meeting capital expenditure to the degree at which dividends are not being undnly affected.

Ventersport has boosted its interim by 35 cents to 75 cents. Although the payment comes at the low end of expectations, it is only a little short of the June final of 80 cents.

Deelkraal, with a heavy capital spending programme to finance, is matching the Juna declaration of 10 cents which was the first since June 1983 and which followed a maiden payment of 5 cents in December 1980.

The latest interim dividends are compared in the following table which incindes a tax-free capital repayment of 15 cents declared by Vlakfontain in lieu of a dividend.

	Dec 1984 cents	June 1984 cents	Dec 1983 cents	June 1983 cents
Deelkraal	*10	10	—	10
Doornfontein	*80	120	*80	120
Driefontein	*115	170	*105	180
Kloof	*160	200	*130	200
Libanon	*120	140	*110	190
Venterspost	*75	80	*40	120
Vlakfontein	†15	20	†20	30

* Interim. † Capital repayment.

Ok Tedi delay avoided

THE LATEST development in the Ok Tedi saga is that the nperating compan yhas backed down on its recently indicated inteotion to further delay tho stage II copper and gold mining pbase notil 1989. Meanwhile, work continues on the Papua New Guinea venture's more profitable stage I gold only operation.

Mr David Adam, chairman of Ok Tedi Mining, said in Port Moresby, after a two-day board meeting, that the company is holding off on a deferment decision for stage II pending further discussions with the PNG Government which has a 20 per cent stake in the venture.

The other major shareholders are Broken Hill Proprietary and Amoco Minerals (in the Standard Oil of Indiana group) each with 30 per cent.

Earlier the Government had expressed concern at the delay of stage II and said that it withhold its further share of funds needed for stage I. Mr Adam said that he understood the Government would reconsider its decision once the stage II development plans were agreed.

Inn Leisure 77% surge gives near £1m profit

A 77 per cent increase in full year profits was echieved by Inn Leisure Group, and Mr M. R. Cannon, the chairman, says that the current year ehould benefit fully from operations acquired out of last year's rights issue money.

The 12 months to end-September 1984 was better than expected with taxable profits rising from £537,893 to £953,800 on turnover ahead at £7.34m egainst £5.06m.

At halfway, profits were nearly £100,000 higher at £144,000.

Inn Leisure operates public houses and wine bars, and is quoted on the USM. The single final dividend is unchanged at 0.42p on the capital increased by last year's one-for-four rights, which raised £1.5m net.

Operating profits for the year under review expanded from £684,256 to £1.13m. Interest charges totalled £173,700 (£146,363), and tax payable amounted to £414,000 (including a £145,000 deferred tax provision) against £78,500, givlog a net profit of £539,800 (£459,393).

Earnings per share are stated as 2.05p (2.18p) on 26.31m (21.05m) shares. Dividends will absorb £110,488 (£9,240 after waivers of £79,150)

There will be an extraordinary charge of £490,000 in respect of deferred tax relating to previous years arising from capital allowance changes in this year's Budget.

W'hampton & Dudley banks on quality for competitive edge

THE BANKS'S name is the "key to our success," says Mr E. J. Thompson, chairman of Wolverhampton & Dudley Breweries, reporting a £1m rise in full year taxable profits to a record £13.52m.

Mr Thompson says "raising standards in our public houses, establishiog long-term trading relationships in the Free Trade, and maintaining beer quality, give us a competitive edge."

During the year the company, be says, strengtheoed its market position in the West Midlands and expanded into Cheshire, Manchester, Leicestershire and Bristol. Six new pubs were opened and a further 22 were acquired.

The dividend total is being raised by 11 per cent from 6.85p to 7.6p with a final payment of 5.05p (4.55p). Stated earnings per 25p share rose to 23.9p (20.8p).

Banks's mild and bitter in cans are now established as strong local brands, says Mr Thompson and he adds that Free Trade activity has ben intense along a broad front with notable growth in lager sales.

He looks forward to contioued progress both in volume and profit terms and says that betweeo October and this Christmas the company will have acquired five new outlets and opeoed eight new pubs.

Total group turnover for tha year to end-September 1984 was up by £7.65m to £94.08m. Profits were subject to tax of £5.78m (£5.8m), leaving the net balance at £7.74m (£6.71m). This year's Finance Act has brought about a £7.63m provision for deferred tax, which has beeo dealt with in reserves.

Attributable profits totalled £8.74m (£7.31m) after extraordinary credits of £1m (£600,000). Divideods will take £2.45m (£2.21m).

● comment

Physical expansion, particularly aimed at driving a wedge into the heartland of its rivals, is the theme at Wolverhampton & Dudley these days. Within the past financial year 28 new outlets opened their doors—an iocrease of 4 per cent—which enabled the regional group tn keep hold of its overall bear volume despite the struggle of bolding on to sales in some of the worst unemploymeot areas of the Black Country. Understandably the new openings, coupled with an extensive pub renovation plan, is taking the edge off the profits performancet but the company is happy to be seen as sowing the seeds of future growth from its cash flow without undue detriment to the current performance. Presumably the shares can expect an equally steady, if predictable, ride oo the market. At 258p, the p/e is 10.7 and the yield is less than 4½ per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Anderson Strathclyde, Birmingham Mint, Braithwaite Engineers, H. P. Bulmer, Charter Consolidated, Oeiltand Stamping, Febel International, Helical Bar, Jacksons Bourne End, James Latham, Northern Foods, Platon International, UKO International, West's Group International.

Finals:—Archimedes Investment Trust, Associated Paper Industries, Baggeridge Brick, Charles Baynes, Burns-Anderson, Irish Distillers, NSS Newsagents, Pilkington Brothers, Stakis, Tate and Lyle.

FUTURE DATES

Interims:—	
Beristorde	Dec 20
Health Care Services	Dec 14
MJI	Dec 20
Petbow	Dec 20
Porter Chadburn	Dec 14
Finals:—	
Dewhurst and Partner	Jan 10
Nash Industries	Dec 21
Pyke Holdings	Dec 17
Spey hawk	Dec 17
United Scientific	Dec 13

Baltic Leasing

The Baltic Leasing Gronp bas received sbareholder approval to change its name to Baltic. The directors are to apply for a full listing for the shares and expect dealings to commence on December 17. At preseot they are traded on the USM.

UK COMPANY NEWS

McCorquodale lifts profit to £8m

MAJOR achievements for the McCorquodale group in the year ended September 30 1984 were further profit growth—an 11 per cent rise to £8.1m before tax, the establishment of a substantial publication and magazine business, and the continued upgrading of productive capacity by investment in new technology, reports the chairman Mr Alastair McCorquodale in the preliminary statement.

As for the future he has considerable confidence, and believes that the sizeable amounts invested recently or earmarked for capital expenditure, in development, restructuring the group and in acquisitions will prove to be very sound. The final dividend for 1983-84 is 3.4p for a net total of 5.4p, against an adjusted 5p.

Sales in the year totalled £122.55m, an increase of 10 per cent, from which a trading profit of £10m was earned, against £9.1m. The UK contribution was up from some £5.4m to £5.8m and the overseas from £3.7m to £4.2m.

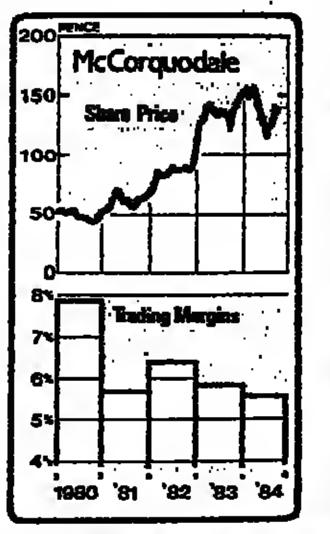
Restructuring costs have been heavy and have been charged as extraordinary items. In particular the directors have reassessed the current and future costs associated with the major restructuring exercise in the UK cheque printing business, and have decided to make a provision now of £1.3m against the future costs which they know will be incurred "in this fundamental strategic and technological change." Accordingly they have now charged a total of £2.2m. before tax relief, in respect of those costs.

Mr McCorquodale says the UK security printing business has come through a difficult year with reasonable success.

In every other sector of the group, substantial improvements have been made as the benefits of previous reorganisations, high capital expenditure and an upturn in trading conditions generally have begun to bear fruit.

At September 30, total group debt less cash and short term investments and deposits amounted to £18.7m, representing 43 per cent of the share capital and reserves. During the year a total of £12.6m was spent on new fixed assets.

The chairman says the year ended on a very strong note and order books were in many sectors at record levels. The coming year for the UK cheque printing business will be a particularly important and demanding period.



Book and publication companies are in "excellent shape" and considerable profit contribution is expected to flow from them and from new acquisitions. Packaging, general print and colour card companies have all made good progress this year and further improvements are expected. Overseas subsidiary and associated companies are poised to advance strongly in the year ahead.

● comment

McCorquodale's 11 per cent rise in full year taxable profits does not on the fact of it look exciting, but it represents enough of a recovery from the depressed first half to lift the share price by 16p to 155p. The group has adjusted more easily than expected to the change in clearing banks' cheque book printing requirements from batch to 24-hour ordering. Security printing volumes slipped slightly during the transition, but should resume a 3-5 per cent growth in the current year, while margins should be assisted by the arrival in 1985 of a new generation of cheque production machines. The book and publication companies have been kept busy in a buoyant market, with a first time four-month contribution from Varnicoat adding £200,000 or so to group profits. A 15 per cent improvement in book, publications and packaging orders plus further recovery from security printing points to current year profits of around £9m pre-tax. That puts the shares on an undemanding prospective multiple of 10.7 after a 35 per cent tax charge.

COMPANY NEWS IN BRIEF

Taxable profits of **Plaxtons** (GB), coachbuilder, dropped from £2.92m to £1.98m for the year to September 30, 1984, on a lower turnover of £31.33m, against £32.6m.

The company engaged in the re-organisation of its activities and the development of senior management. This together with a comprehensive product range, enables the future to be viewed with confidence.

Tax took £798,000 (£1.29m) and earnings per share fell from a restated 13.7p to 10p, but the dividend total is effectively unchanged at 4.5p net with a same-again final of 3p.

* * *

Pre-tax profits of £65,000 are reported by Armitage and Rhodes for the half-year to September 30 1984, compared with losses of £8,000 in the corresponding period last year.

Turnover of the group—its principal activities are the manufacture, finishing and sale of furnishing fabrics—was down slightly from £4.51m to £4.47m.

The summer months are traditionally difficult in all the group's operations, and the trend has been compounded this year by the effect of the miners' strike, the continuing high levels of unemployment and the UK's economic uncertainties. Despite this however, the momentum of profitable operations continues.

There is an interim dividend of 1p. The company's shares are traded on the over-the-counter market.

* * *

A six-fold improvement in pre-tax profits is reported by **H. J. Baldwin**, clay and concrete manufacturer, with figures up from £32,000 to £192,000 in the year to September 30 1984. There is again no dividend.

Turnover rose from £2.16m to £2.63m, and tax was £89,000 compared with £5,000. There was an extraordinary income of £88,000 this time. Stated earnings per 10p share were 2.53p against 0.64p.

* * *

An increase in pre-tax profits from £1.19m to £1.44m has been shown by **N. Brown Investments** for the 26 weeks to September 1 1984. Turnover of this *Manchester-based* mail order business rose from £17.93m for the comparable 27 weeks to £21.11m. The directors expect the year as a whole to "give cause for satisfaction."

Earnings per 20p share were shown as 6.62p (5.22p) and the net interim dividend is lifted from 2.5p to 3p.

* * *

The **William Jacks** rights issue has been accepted in respect of 4.69m shares, totalling 86.74 per cent of the issue.

The balance of 717,178 shares will be taken up by the underwriters.

* * *

The interest rate for this week's issue of local authority bonds is 10 1/16 per cent, up 1/16 of a percentage point from last week and compares with 9 11/16 per cent a year ago. The bonds are issued at par and are redeemable on December 18 1985.

A full list of issues will be published in tomorrow's edition.

* * *

Initial benefits of the foundry reorganisation and a 35 per cent increase in turnover to £2.04m have helped **Parkfield Group**, the USM maker of high duty iron castings, to a profit of £110,500 in the 26 weeks ended October 27 1984, and interim dividends are being resumed with a payment of 0.8p net.

The cover for this dividend is lower than that which the directors would normally recommend. But they have taken account of second half which should show appreciably better results and the fact that cash flow is beginning to improve—"we have now eliminated net debt and are building meaningful cash balances," they say.

Parkfield has not paid a dividend for the last two years when it has been in loss on each occasion. For 1983-84 it was £64,706 after being £67,700 at the halfway mark.

* * *

For the half year to end-September 1984 **Smith Whitworth** achieved pre-tax profits of £130,839, against losses of £26,729, on turnover ahead at £2.42m compared with £778,054.

The chairman of this textile machinery manufacturers expects a "satisfactory outcome" for the year as a whole. There is no interim dividend.

After preference dividends absorbing an unchanged £1,181 and tax taking a same again £506,000, retained profit stood at £129,152 against losses of £28,416. Net earnings per 5p share were stated as 3.22p (0.71p loss).

* * *

Steel processor **Frederick Cooper** is raising its dividend from 1.65p to 1.77p net for the year ended July 31 1984, with a final of 1.24p. The profit showed some improvement, from £423,651 to £452,670, subject to tax £8,205 (£48,470).

There are extraordinary debits of £153,835 (£278,253) to leave the attributable balance at £290,630 (£96,928). Earnings are shown to be 5.68p (4.93p). The extraordinary charge represents deferred tax adjustments arising out of the Budget £288,500, less ACT previously written off £134,835.

* * *

Alphameric, a USM stock engaged in both the design and manufacture of custom-made computer peripherals, increased taxable profits from £239,000 to £344,000 in the six months to end-September 1984.

The result was achieved on turnover of £3.49m (£2.21m) and was struck after virtually unchanged interest charges of £37,000 (£36,000). Tax was £148,000 (£92,000). Earnings per 5p share are stated as 1.54p (1.25p) — in line with the prospectus, there is no interim dividend.

* * *

Dura Mill, the Lancashire-based textiles concern, plans to raise £228,000 net of expenses by way of a rights issue, and to use the proceeds to develop and expand the merchandising side of its activities.

Shareholders are to be offered 480,000 new ordinary shares of 2.5p each at a price of 50p per share, on the basis of one new share for every five now held. The issue is being underwritten by Corporate Financial Services, the group's ultimate holding company, without charge.

The directors say that they also intend to use part of the proceeds to reduce the company's existing bank borrowings.

* * *

The tender offer by **Firstland Oil and Gas** to purchase 82,500 ordinary shares in Fishermens Petroleum at a maximum of 69p each will close at 3.30 pm on January 15 1985. Firstland does not intend to make a final offer for Fishermen's Ordinary. Firstland owns 8,650 shares (2.77 per cent).

FINANCIAL TIMES SURVEY

CONTENTS

Singapore

In 25 years of independence, the island-city has prospered under its "old guard". Younger leaders are now coming forward to tackle new problems of a maturing economy.

Lee Kuan Yew, an enduring leader who has overseen the modernisation of Singapore

A coming of age

By Chris Sherwell

AFTER a grand state exhibition, extended national festivities, and an exultant media campaign, Singaporeans are about to conclude a feast of patriotic self-congratulation with an election returning their government to power.

The celebrations commemorate 25 years of self-rule, during which the tiny island state has prospered beyond its wildest dreams. The election will see Mr Lee Kuan Yew, who has been Prime Minister from the start in 1959, confirmed as one of the world's longest-serving elected leaders.

If Singapore is coming of age, it is doing so at a vital moment. The country's "old guard" leaders are standing aside, and the economy is showing the onset of maturity. Singapore society is changing, and regional uncertainties persist. Above all, Mr Lee is planning to bow out.

The future promises to be as exciting as the past, and the question arises whether solid foundations have been laid. In spite of the government's warnings against complacency, and its acute sense of the country's vulnerability, the record of success prompts confidence rather than concern.

The past 25 years have involved battles with communists and communalists, "confrontation" with Indonesia over an ultimately abortive fusion with Malaysia, and the slow submersion of ethnic, racial and religious divisions beneath an emergent Singaporean national identity.

Apart from securing the country's survival, the past 25 years have also seen the end of unemployment, bad housing and illiteracy. Singapore has exploited its location on trade routes by creating an efficient infrastructure of airport, seaport and telecommunications links, and offering a business environment which has attracted buge foreign investment.

Weakened

The country's 2.5m people enjoy a per capita income on a par with the Italians. Their currency is one of the strongest in the world, and the country's reserves are higher than the official U.S.$10bn. The government's benevolent strong-arm paternalism has provided stability and continuity, and Mr Lee has become an unchallenged philosopher-king figure.

None of this has been achieved without cost. Old community ties have weakened, the pursuit of material wealth has become almost obsessive, and power has become over-centralised. There is concern about alientation of the young, the government's domination of the economy along with the multinationals, and the ineffectiveness of the political opposition.

Some of this may be reflected in the December 22 election, and greatest attention will focus on the size of the vote against the ruling People's Action Party, whose unofficial campaign has been building for more than 12 months. But while the outcome of the election is not in donbt, circumstances are changing in Singapore as time marches on.

Most significantly, Mr Lee, has indicated be will retire as Prime Minister by the time he is 65 in four years. Dr Gob Keng Swee, the First Deputy Prime Minister, and the inspiration behind the country's economic growth, is stepping down now, and Mr Sinnathamby Rajaratnam, the other Deputy Prime Minister, is expected to leave politics now.

Other "old guard" leaders are also standing aside, and the party is including a total of 26 new, mostly young, candidates for the 79 seats being contested. The succession question is thus more pertinent than ever, and took on an intriguing dimension with the decision of Mr Lee's 32-year-old elder son, Brig Gen Lee Hsien Loong, to resign from the army and go into politics.

Clever, capable and amiable, Gen Lee is expected to take on a junior ministership and jostle with the so-called "second generation" leaders: Mr Goh Chok Tong, Defence Minister; Dr Tony Tan, Finance and Trade and Industry Minister; and Mr Ong Teng Cheong, head of the trade union movement.

These men, all in their 40s, are well-established, competent and self-assured. But they are said to lack the appetite for power and remain untested in a crisis.

Two constitutional reforms may help a little, although both have proved controversial. One change adds three "non-constituency" seats to parliament, to be allotted to the three best losers in the event of a clean sweep by the People's Action Party. The idea reflects Mr Lee's worries since a by-election loss in 1981 ended 13 years of one-party parliaments. But the opposition may not take them up.

The other reform, not yet framed, will create a directly-elected president. The official aim is to prevent a rash cabinet dipping irresponsibly into Singapore's reserves. But Mr Lee bas indicated he might be interested in the job, which may mean he will not bow out of politics. It could also affect the balance of power.

In economic terms the election could hardly have been better timed. Real growth in gross domestic product is likely to touch 9 per cent this year after last year's better-than-expected 7.9 per cent. Heavy counter-cyclical government spending, mostly in the construction sector, has carried the country through the Western recession, and the U.S. recovery has boosted growth for 15 months.

But external factors continue to determine Singapore's economic performance. The prospective U.S. slowdown will hit manufacturing and especially the rapidly-developing electronics sector. The outlook for the oil refining industry, which still dominates manufacturing, remains gloomy, although capacity utilisation has been better than hoped. Singapore is the world's third largest refining centre.

Singapore's financial sector, a big contributor to overall growth, has also had a relatively quiet year. The island state is one of the world's largest offshore banking centres, and the size of the Asian dollar market — the regional element of the world-wide Eurodollar market — reached a record of almost US$128bn in September.

But it is not clear where future growth of this sector will come from. Financial futures offers one possibility, but the new exchange which opened in September and is linked to Chicago has had a slow start because the markets bsve been less than volatile. To attract more fund management, another source of growth, Singapore must compete more aggressively with Hong Kong.

But this runs up against domestic priorities, particularly a determination not to allow the "internationalisation" of the Singapore dollar.

Manpower

The picture bas also changed in the important construction sector. While public sector construction continues apace because of the housing programme and the mass rapid transit metro project, private sector activity has contracted sharply as the property market has weakened. Singapore is suffering a glut of office, commercial, retail, factory, warehouse, hotel and private residential space.

Although tourism has picked up slightly after last year's 3.5 per cent fall in the number of visitors, retailers are still complaining and hotel occupancy rates and tariffs have fallen. The stock market, reflecting all these trends, has drifted downwards over the past year, and it is not clear where the corporate sector should turn for new opportunities.

Generally, Singapore's economic strategy is based on the fact that it has a single resource—limited, quality manpower—and cannot compete directly in mass production with more populous neighbours. Manpower is therefore being freed through widespread automation, to be trained in more production skills and in turn attract sophisticated "high-tech" industry. The government's high-wage policy of the past few years bas been designed to spur this.

By the 1990s, the country wants to be an international centre offering financial, computer, information, consultancy and other professional services to the whole region. By that time, too, it wants to have ended its dependency on unskilled foreign workers.

The chances of all this happening are difficult to gauge. The Government is acknowledging that it will have to postpone its 1991 phase-out target for foreign workers. Mr Lee has admitted that Singapore should not expect to repeat the sort of double-digit growth rates of the past, and bas spoken of 4 to 8 per cent growth in the coming years.

The country as a whole, however, has never seemed more secure internationally; and its relations with neighbours have rarely been on a better footing. Singapore continues to beef up its armed forces and is embarking on an ambitious civil defence programme, but it bas no desire to provoke its neighbours. It would prefer to see co-operation grow faster within the non-Communist Association of South-East Asian Nations (Asean), which embraces Singapore, Malaysia, Indonesia, the Philippines, Thailand and Brunei.

Singapore continues to look far ahead as it plots its survival and growth, while maintaining its traditional cautious stance of expecting the worst and hoping for the best. While many find the country's political climate too suffocating and the society too regulated, they cannot deny the country's success.

For a city state which is a virtual anachronism, the first 25 years have astounded almost everybody.

Singapore 2

Following in father's footsteps

Profile

Lee Hsien Loong

Lee Hsien Loong: could be the man for his times.

FEW POLITICAL questions excite more speculation in Singapore than the issue of who will succeed Mr Lee Kuan Yew as Prime Minister. Few individuals have attracted more interest as a potential leader than Brig Gen Lee Hsien Loong, the Prime Minister's 32-year-old elder son.

He was tipped for bigger things long before his decision this year to leave the army and stand for the ruling party in the forthcoming election. But news of his move set Singapore alight, and in recent weeks the broader public have had a chance to see him in action and make their own judgments.

Most people who have seen and met him are impressed by his charm and his talent. Few doubt that he will have any trouble winning his seat in the new Teck Ghee constituency and continue an illustrious career. In the view of one analyst, Mr Lee Hsien Loong could be the man for his times, just as his father was the man for his.

The Prime Minister scoffs at suggestions that he is trying to create a dynasty. "I don't need to seek fulfilment vicariously," he says.

His son "has the attribotes" for leadership, but also "the disadvantages ef being my son," he says. It would always be said that he was favoured, and he would always be measured against his father.

To some people, Mr Lee Hsien Loong is proof of his father's belief that bright parents produce bright children. It is said that he could speak English, Malay, Mandarin and Russian by his teens and was interested in everything from music to the advanced sciences.

After enlisting for national service in 1971, he was awarded a Singapore armed forces scholarship which took him to Cambridge, his father's old stamping ground. He took a first in mathematics and a distinction in a diploma in computer science.

In 1978 he did a senior army course at Fort Leavenworth, Kansas, and took a master's degree in public administration at Harvard the following year.

In spite of his time abroad, he advanced rapidly in the army. He rose to the number two position of Chief of Staff (general staff) and Director of Joint Operations and Plans, and finished as a Brigadier General—the youngest general in the country's history.

After his resignation in August, he was made political secretary to Mr Goh Chok Tong, Minister of Defence, one of the established "second generation" leaders.

Mr Lee likes to swim, jog and read for relaxation and retains an interest in computers. He has a hearty sense of humour that makes him, in one acquaintance's view, as much the son of his mother as his father.

But he has also suffered a deep personal loss, for his wife, a Malaysian Chinese girl he met at Cambridge, died in 1982 after their second child was born.

Although he started making occasional public speeches some time ago, Mr Lee won wide public attention in early 1983 when he directed the helicopter rescue of 13 people trapped in a suspended cable car above Singapore's docks.

He was never expected to stay in the army all his life, but it was thought he might learn the ropes of government and administration through a civil service post before standing for office. With the move directly into politics, he is likely to be made a junior minister in the new government.

Of his chances of becoming Prime Minister, his father is quite clear: he must first win election, then prove he is equal to a ministerial job and then command a parliamentary majority.

"He's got some three strong men elder than him with more experience and already entrenched. He'll find his level."

Chris Sherwell

Ruling party hopes for clean sweep in watershed election

Passing of the old guard

Politics

IT IS election time in Singapore. Polling day will be December 22 and the formal campaign has only just begun. But the push by the ruling People's Action Party to rally support started a year ago and has built up steadily since.

A general election is not due until the end of next year, but most recent elections have been held a year early. By the end of last month ministerial and official hints pointed to a pre-Christmas poll, at a time of bonuses and buoyant sentiment.

A PAP victory is not in doubt. It holds 74 of the 75 seats, and has won every election since self-rule began in 1959. But ministers describe this as a watershed election because it will see the passing of the "old guard" leadership, new faces in the Cabinet and a fresh generation of MPs.

Mr Lee Kuan Yew will, of course, remain utterly in charge as Prime Minister and the established "second generation" figures—Mr Goh Chok Tong, the Defence Minister, Mr Tony Tan, Finance Minister, Mr Ong Teng Cheong, union chief—will consolidate their positions further.

But some important changes are in train. Mr Lee has indicated that he will stay on for only one more term—though he is an obvious candidate to be the country's president later, and will find it difficult to relinquish power.

Dr Goh Keng Swee, First Deputy Prime Minister and the architect of the country's economic miracle, is stepping down and says emphatically that he will not be president. Mr Sinnathamby Rajaratnam, Second Deputy Prime Minister, plans not to stay on a full term. Other "old guard" figures have already stepped aside in the party hierarchy.

> The potential effect of this non-PAP vote has been dissipated by fragmentation of the opposition.

One of the most interesting newcomers is Brig-Gen Lee Hsien Loong, the 32-year-old elder son of Prime Minister Lee. He has impressed so many people that he is tipped as possible future leader.

Other new faces, brought in as parliamentary candidates in the PAP's so-called "self renewal" process, have attracted criticism from MPs for their lack of experience. Some of this is sour grapes from those giving way and, as one senior minister admits, several of those selected in the past have been a "bitter disappointment."

The PAP has made almost all the running in the build-up to the election, with ministerial "walkabouts," regular unveilings of new batches of candidates (26 in all), widely publicised "dialogue sessions" and the celebrations of 25 years' self-rule. Indeed, Mr Goh Chok Tong, acknowledging last month that there would be no manifesto, said people merely had to look at the National Exhibition.

Most of the younger ministers expect a clean sweep of the 79 seats at stake this year. This would restore the position lost in the sensational Anson by-election of 1981. Then, Mr J. B. Jeyaretnam, a lawyer, of the Workers' Party beat the PAP candidate. He became the parliament's lone opposition member—the first since 1968 and an indication of how closely this small country is managed and of the Government's broad support.

As interesting as the distribution of seats will be the size of the non-PAP vote. In the past a solid 20 to 25 per cent of the electorate has voted against the PAP, reflecting ethnic and religious differences and the strengths of individual candidates rather than special issues.

The potential effect of this non-PAP vote has been dissipated by the chronic fragmentation of the opposition parties, the most important of which are the Workers' Party, the Singapore Democratic Party, the Barisan Socialists and the United People's Front.

These parties remain at odds, and even if they agree not to contest the same seats, they lack dynamic new leaders and convincing alternative policies.

This year more than most, however, the parties do have some issues to test the PAP, which is why their performance will be worth watching. One issue already raised, is a proposal to increase the age limit at which individuals can withdraw their savings from the Central Provident Fund, a compulsory savings scheme to which both employers and employees contribute.

The proposal would affect most Singaporeans' pockets and the opposition has attacked it as a breach of faith. The government has postponed for two years a decision whether to raise the age limit from 55 to 60 or 65. Other changes in the way savings are withdrawn seem inevitable, so this issue is not likely to vanish.

Singaporeans have also been encouragement of graduate women to marry and have children, a year-old policy directed at maintaining the quality of the country's talent pool.

For graduate mothers the government has announced tax breaks and preferential access to good schools for their children. It has also helped bring single people together in a vast match-making exercise and offered down payments on housing to less educated mothers who undergo sterilisation.

As for other issues, opposition parties have sought to capitalise on a decision to raise levies paid by employers of foreign maids and, less successfully, on the merger of the country's two newspaper groups and the Hawkeye reconnaissance aircraft.

Ironically, however, both the specific and more general grievances about Singapore's less-than-bracing political climate have been most incisively and effectively articulated by Mr Toh Chin Chye, a prominent senior member of the PAP for 26 years before stepping down four years ago, he is unhappy about practically everything: economic prospects, the weakness of parliament, the education system, a lack of creativity and the atmosphere of intimidation and over-regulation.

His main complaint is against centralisation of power in Singapore. He points to the control of the media, the stranglehold of the bureaucracy, the tight control of the financial sector and the restructuring of the labour movement.

He is also sceptical about the two main reforms unveiled this year—the creation of non-constituency MPs and the plan for an elected president.

Three opposition party politicians are supposed to take up the non-constituency seats as best losers if the PAP wins a clean sweep in the election. The number will be lower if opposition politicians win any seats in their own right, and they could cause a minor sensation if they choose not to take them up.

> The aim is to prevent a future government bringing the country to its knees by dipping into reserves.

When the change was announced in mid-year, the opposition parties called the seats second class because the occupants would not be allowed to vote on no-confidence motions, supply bills or constitutional amendments. But Mr Lee was against proportional representation as an alternative because he believes it would be destabilising in a community with abiding ethnic and religious divisions.

That he thought the move necessary at all was a direct result of Mr Jeyaratnam's victory in Anson. Mr Lee hopes the reform will give PAP members of parliament "sparring partners" in parliament and, more significantly, will teach Singaporeans the true costs of being represented by non-PAP politicians.

The plan for the presidency will take effect only after the election. The aim is to prevent a future Singapore government bringing the country to its knees by dipping into its huge reserves and going on a spending spree. One of the president's tasks would be to prevent this, and his direct election would give him the necessary authority.

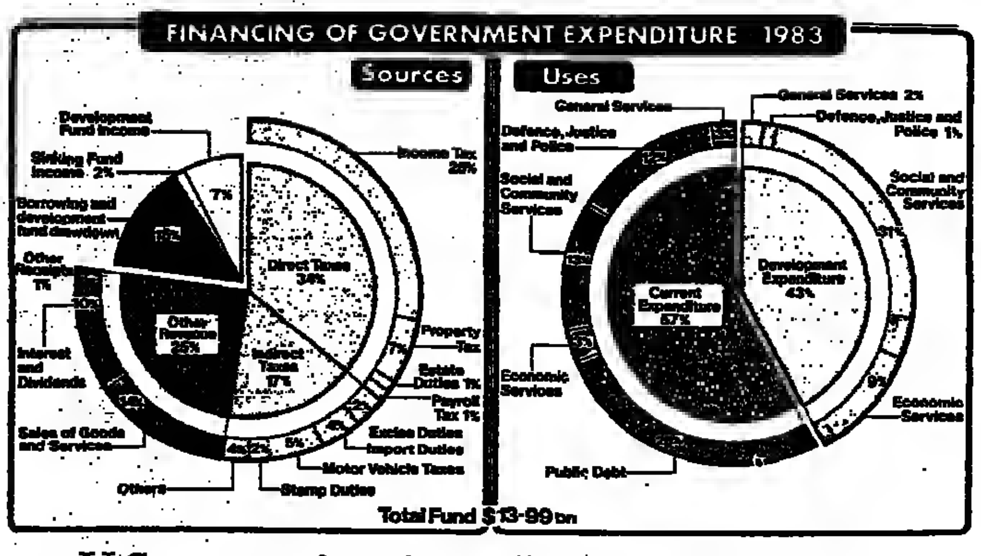
Mr Lee has insisted that he doesn't want to upset the executive powers of the Prime Minister and would like to establish this by seeing in the new system himself as premier. But Mr Toh says the reforms will change the whole structure of government, and few doubt that Mr Lee would soon become president — and a highly authoritative one—if he was to give up the premiership before he is 65 in four years.

All this underlines why the size of the non-PAP vote in the election will be of great significance. Greatest attention will focus on the younger voters, who have never experienced the political struggles of the early independence years. Some 75 per cent of Singapore's population is under 40, and 40 per cent are aged 20-40.

If the opposition vote stretches above 30 per cent, PAP insiders reluctantly acknowledge that the party will have suffered a setback. But the corollary is equally significant: if the opposition parties fail to improve their standing, it may be necessary to revise judgments about the Singapore voter.

It could mean that the younger set is unworried by a lack of liberalism and sees the same national interest as its battle-hardened elders. That would be a remarkable development.

Chris Sherwell



U.S. uncertainty is leading to caution over future growth. **Terry Povey** reports

Economic paragon with no time for Friedman

Economy

SINGAPORE'S economy is still growing. Demand from the U.S. is helping to promote a considerable turnaround in the manufacturing sector and the buzz of activity in construction is still eudible above the grumbles of concern over excess hotel capacity and office space.

The country is a virtual paragon of economic virtue, with virtually no unemployment, inflation of around 3 per cent and income per head of US$6,000—27th in the world and the highest in the region — plus reserves in excess of US$10bn.

The real rate of overall growth in Gross Domestic Product was 8 per cent for the third quarter of 1984 compared with the same quarter in 1983.

Government and analysts have become more cautious about the trend for the rest of the year and 1985, mainly because of U.S. economy uncertainties. (Some are forecasting about 8 to 9 per cent real growth for 1984, although in the recent past such figures have proved to be underestimates.)

Concern for the level of demand for Singapore's goods and services from across the Pacific is widely felt, but the government is doing a greet deal to help sustain demand at home through a big construction programme.

Guarantees

This year work on the S$5bn (US$2.3bn) mass rapid transit project is in full swing with sites to be seen all over the city. The government is also constructing e record 48,000 units of housing—the Housing Development Board is on target for its objective of providing for 80 per cent of Singaporean families.

Money for these two big enterprises comes mainly from the Central Provident Fund — the "ballast of the economy" as one banker described it. All employees contribute 25 per cent of their gross pay, to which employers add another 25 per cent to this once-off retirement payment scheme.

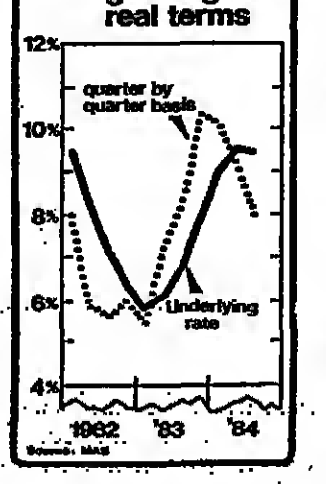
The government guarantees a return of 6.5 per cent per annum on the fund. As well as providing insurance for old age, the CPF is also a deflationary factor for the economy, diffusing tendencies to overheating that might otherwise accompany the high wage policy.

It is the low cost of funds from the CPF that enables the government to sustain its pump-priming operation in construction, which has a spin-off effect on other sectors.

Private sector construction activity has taken a nose dive. In the first three quarters of 1984, construction contracts ewarded in the sector were worth S$5.78bn, down 23 per cent from the S$7.52bn in the same period of 1983. Only S$1.3bn was for the private sector, less than half of the S$3.05bn previously.

But construction only contributes some 8 per cent tn GDP, even if it is where the government's economic muscle can be seen most clearly. The other main sectors are trade and tourism (which contributed 23 per cent of GDP in 1983),

GDP-growing in real terms



manufacturing (20 per cent), financial and business services (21 per cent) and transport and communications (20 per cent).

The most rapidly growing of these has been financial and business services, essentially a function of the country's rise as an offshore financial centre. The loan syndication business bas turned down internationally and the world's chief financial institutions have shifted attention to the revolution in their business back home, so growth has naturally slowed. It reached 12.3 per cent in the year to June, compared with e heady 16.3 per cent in 1983.

Expansion in this sector — which impacts directly on growth in communications — can be expected to be lower, but no-one believes that it will drop below double digits in the foreseeable future.

The most impressive recovery has been seen in manufacturing especially given the negative rates of most of 1983. Dependence on multinationals has been growing, closely linking Singapore to the extent of economic recovery in the U.S. and, to a lesser level, Europe.

Foreign companies are attracted to the island because of cheaper labour, generous tax holiday schemes — including tax treaties, although not with the U.S. There are no bars on the repatriation of profits, no requirements on the amount of local ownership and good infrastructure and connections with the outside world.

It is privately estimated that the proportion of GDP produced by multinationals rivals that of domestic concerns in the manufacturing sector. One analyst suggested the breakdown was:

- Government-owned 40 per cent — up from 25 per cent two years ago;
- Singarporean-owned private ebout 50 per cent;
- Multinationals up to almost 30 per cent.

The growth of the manufacturing base has changed Singapore's character says Mr Jan Kingzett, of merchant bank SIMBL.

"It is no longer a developing country and so cannot be compared with, say, Malaysia or Thailand," be said. "Singapore is an industrialised state, even if many of its people don't realise it yet."

As such the problems of maturing traditional industries are beginning to become a burden — especially in shipping and ship repair. The government's commitment to profitebility in the state sector could soon be tested here.

Among the multinationals there is e growing concern over rising wages of the local workforce. The national round of wage talks, over which the government has great influence, faces an initial demand this year for 8 to 12 per cent rises from the National Trades Union Congress (whose head is a member of the cabinet).

Given the government influence over wage levels plus its tight labour market policy, foreign employers might be forgiven for feeling that wage rates are being set by the authorities. However, the government is not impressed by claims that it is pricing itself out of the assembly market.

Downturn

The shift of production by multinationals to Singapore has belped boost total trade, althougb of course a good deal of this involves re-exporting. In 1983 exports totalled a record S$46bn (np 4 per cent) of which S$8.4bn went to the U.S. Of the rest Malaysia took 17.6 per cent, Japan 9.2 per cent, Hong Kong 6.8 per cent and the EEC 9.1 per cent.

Imports for 1983 were down marginally, reflecting the industrial downturn then prevailing. The republic's main suppliers wera Japan with 18 per cent of the S$59.5bn total, the U.S. with 15.1 per cent, Malaysia with 14.4 per cent, Saudi Arabia with 10.9 per cent and the EEC with 10.3 per cent. Oil and its products constitute just over e third of two-way trade.

The Government's policy is to make existing businesses more efficient through automation, to attract high-tech and bio-tech industries through upgrading its workforce, and to move strongly into services. It is committed to staying as far ahead of its neighbours as possible.

And the Government is willing to use its financial strength to keep things moving.

"This country is ruled by muscular Keynesians. Milton Friedman has no friends here," said e prominent Chinese banker.

Some are surprised that the growth rate may be slowing down, although at 8 per cent, it is still twice what the OECD is expecting for its members to average.

Mr Kingzett says: "I can't understand the element of surprise in some peoples attitude to the present situation. We are three years off e cyclical peak and two years into a property downturn.

"The private sector is hurting but there has been no weakening of the Government's resolve to maintain the currency on e par with the U.S. dollar. And that's basically good news for everybody."

Raising the cost of aggression

Defence

MORE INFORMATION has emerged on Singapore's defence policy in the past two years than at any time since the government started building up the armed forces following the traumatic break with Malaysia in 1965.

The man who can take much of the credit for this is Mr Goh Chok Tong, the Defence Minister and one of the country's key "second generation" leaders.

A tall, rather shy man of 43, he explains the change quite simply: "We were so secretive. We found people saying we couldn't defend ourselves, and asking why we were spending so much. So we decided to explain things more openly."

The result is greater understanding over a range of tricky defence issues. Not only the high level of defence spending, but heavy purchases of sophisticated hardware, the attempt to involve every man, woman and child in civil defence, and the rationale underlying the robust image of defence preparedness.

But the publicity carries the possibility of misinterpretation by Singapore's neighbours. Dr Gob Keng Swee, the Deputy Prime Minister and the man who is credited with building up the armed forces after 1965, bas warned that the worst policy would be for Singapore to arm itself to the point where its neighbours misread its intentions.

"We are not Israel, and South-East Asia is not the Middle East," he said.

At home, defence is not a big political issue. But the drive to increase awareness is aimed at any sceptical young Singaporeans who wonder who the true enemy is, and question the purpose behind the defence effort. They point to the area's relative stability and high growth, to Singapore's good relations with Indonesia and Malaysia and — slightly more worriedly — to the seeming impossibility of resisting larger neighbours' potentially awesome power.

Officials will not point fingers at possible aggressors, but the standard answer no longer stops at saying how uncertain the world is, how South-east Asia remains a keey area of superpower rivalry and how any sudden event in the region could upset the present calm.

Prime Minister Lee Kuan Yew, for example, believes that Singaporean backbones must be stiffened. "If the civilian population is faint-hearted and intimidated as it sees huge forces mobilising, the battle is lost before any shot is fired," be says.

Mr Lee's son, Brig Lee Hsien Looog, who resigned his army post to go into politics, spelled out why a small state needed a muscular defence policy. This explained Singapore's policy of "total defence," a strategy embracing civil defence and psychological preparedness which has received great publicity over the past year.

Conscript

There had to be a "penalty for avarice," said Brig Lee. A small nation's security, like a superpower's, depended on deterrence: it had to make the costs of aggression "visibly and credibly exorbitant." It could not surrender in advance, for that would invite trouble, whereas if one was willing to pay, "one might never have to pay."

Credible deterrence had to depend on a viable defence. That meant forcing an aggressor to field large forces and fighting for battle victories to compel a favourable peace. It also meant building your own conventional forces, and moulding a conscript army better trained and better equipped than its opponents. Guerrilla war could only carry on the fight after territory and people were overrun.

Goh Chok Tong: "we decided to explain things."

Officiala don't talk readily about tbe circumstances in which all this might be necessary. But government thinking appears to be based less on a threat from Indooesia or Malayaia than on the domino-type consequences of Sovlet-backed expansion from Indochina into Thailand and in the South China Sea.

In this context political developments in the Philippines have assumed greater importance in the past year, especially wlth their implications for the U.S. presence in the region. The U.S. is reviewing possible alternatives to the Clark air base and Subic naval base io the Philippines, but tbe alternatives —like Guam and the Mariana islands in the Pacific, or Labuan in East Malaysia—are either too far away or too underdeveloped, and certainly more expensive.

Concern over the Kampucbean problem and Vietnamese intentlons, though of far longer standing, is undiminished. Mr Lee Kuan Yew foresees a period of instabillty in the region if Vletnamese troops withdraw from Kampuchea and a government is installed in Phnom Penh beholden neither to Moscow nor Peking.

It is automatically presumed that Singaporean and Indonesian forces if asked would go north to help defend Thailand, even though the non-Communist Association of South East Asian Natlons, which embraces those three countries plus the Philippines, Brunei and Malaysia, is not e mutual defence alliance.

Singapore and Malaysla are already members of the Five-Power Defence Arrangement with Britain, Australia and New Zealand, and Mr Lee is convinced tbat this should continue hecause it further deters any outslde aggressor end reflects the West's commitment to the region.

Although Australia is withdrawing Mirsge jets kept at Butterworth ln Malayaia, tbe F-18s with which it is replacing them will he despatched regularly to the region from their Australian bases. There ls no iotention hy the receotly-elected New Zealand Government to withdraw its troops hased in Singapore.

Ammunition

Singapore and Malaysia, meanwhile, do joint mllitory exercises abroad—though still not in Malaysia—and Singapore has access to jungle warfare facilities ln places like Brunei. Singapore is also likely to sbare with Malayaia the information it gathers ooce lts four Grumman E-2C Hawkeye early-warning reconnaissance aircraft are in operation later this decade.

It is clear that air defence is a big part of Singapore's overall defence strategy. Tbe armed forces are purchasing General Dynamics F-16s in the J-79 export version for delivery ln 1987-88, plus the French Super Puma transport helicopter. Tbey are also buying up to 30 Italian Siai Marchetti S-211 jet trainers, whicb Singapore wants to manufacture at bome. Singapore has also hought the improved Hawk surface-to-air missile.

Tbe proposed manufacture of jet trainers is one element of a growing domestic arms industry in Singapore, sponsored by the Ministry of Defence through its Sheng Li bolding company. Singapore can already refurbish and repair Hercules transports and Skyhewk jets, overhaul jet engines and service aircraft components and avionlcs systems.

It can also maintain and refurbish tanks and armoured personnel carriers, it manufactures a highly auccessful light machine gun and assault rifle, and can produce small arms emmunition and medium-calibre ammunitlon for anti-aircraft and aircraft cannons. It manufactures grenades, thunderflashes, mines, mortars and bombs.

Officials say the foreign hardware purchases do not represent a hardening of Singapore's defence strategy as much as the growing maturity of its forces' defence capability. Singapore spends aa much per capita on defence aa neutral Sweden or Switzerland, and never more than 6 per cent of gross domestic product they say. Spending tbis fiscal year is S$2.26bn.

The constraint on the growth of Singapore'a armed forces is not money hut manpower. The size of the forces is more than 200,000, of which about 150,000 are reservlsts. About 20,000 a year enter national service, which lasts two to 2½ years.

Reflecting the manpower constraint, the broader mass of the population is becoming increasingly involved in civil defence. The plan, launched almost two years ago, aims to recruit and train volunteers in every parliamentary constituency across the island through local residents' committees.

If outsiders find it all faintly horrifying, that is exactly as the Singaporeans would like it.

Chris Sherwell

Singapore 4

Regional funding role fiercely protected

Banking

IN THE emerging hierarchy of international financial centres, Singapore is no New York, London or Tokyo. But nor is it a Bahamas or Vanuatu. Under the strong hand of the Monetary Authority, the island state's powerful quasi-central bank, it aims to be something in between.

The position is neatly summed up by an analyst: "The authorities want to see real banks here doing real business—only it mustn't be Singapore business. That's the rub, because it makes paying the rent difficult when things go off the boil."

Collapse

International bankers are finding life more difficult than a couple of years ago. The Asian dollar market—the Asian element of the world-wide Eurodollar market—has been expanding less rapidly. And even in the fast-growing East and South east Asian regions, lending has subsided.

Singapore-based bankers must also cope with a local environment unlike the big centres or the tax-haven name-plate ones. It is an environment highly reglated by super-cautious authorities who don't wish to see Singapore swamped by international banking forces beyond their control.

"Yes, there is prudence, maybe even an excess of it," a leading Chinese banker acknowledges. "But can you blame the authorities? This isn't London, which can survive a Johnson Matthey, or New York, which can cope with a Continental Illinois, without anyone saying either is finished as a financial centre.

"The MAS [Monetary Authority] believes that a major collapse here would be the end, and it designs its rules to make sure this doesn't happen."

A foreign merchant banker says: "The role model here is now Zurich, not Tokyo. Keeping the currency strong and the banking rules tight are vital."

The director of a foreign commercial bank is equally straightforward: "What Singapore has to offer is that it is safe, organised and modern."

So while liberalisation in Tokyo and Sydney and the settlement of Hong Kong's future pose challenges to most bankers, Singapore has established an important, if secondary international niche for itself already.

The most important feature of this is Singapore's role as a regional funding centre — "a net lender, gathering funds from the area and putting them to work," in the words of an international banking manager. The start of trading on Singapore's financial futures exchange is seen as another example of how Singapore can use its favourable location.

Relations with the MAS is a subject on which all bankers in Singapore have strong opinions — in private. The authority has plenty of supporters who back most of its measures, arguing that they are designed to promote the financial community's best interests. But it also has detractors, who find it overbearing and schoolmarmish.

With studied understatement, one foreign commercial banker described his bank's relationship in brutally simple terms. "Our relationship with the MAS is correct," he says. "You will note that I did not say cordial."

Until October there was broad agreement among bankers that relations had been improving—not least because the MAS has been conscious of the impression it was creating at home and abroad. But the question resurfaced with a vengeance in October when merchant bank Jardine Fleming, a joint venture between Jardine Matheson of Hong Kong and Robert Fleming of London, was expelled from Singapore.

The MAS, in an uncharacteristically lengthy statement explaining its extraordinary action, charged that Jardine Fleming had "failed to meet the high standards of professional competence and care expected of a merchant bank."

Jardine Fleming has denied all the specific charges but has apparently decided that appealing against the decision is pointless.

Amid the noise over the affair, it soon became clear that Jardine Fleming was paying chiefly for its role in the controversial takeover of Straits Steamship by Keppel Shipyard, a Government-controlled corporation. The takeover valued Steamers at close to S$500m, and it turned out to be vastly overpriced.

Auger

It is difficult to understand why main local institutions were so much in the dark about the true state of Steamers. The display of anger against Jardine Fleming and certain individuals at Keppel may have more to do with the involvement in the takeover of key members of Singapore's political and financial establishment, rather than any wish to nail those responsible for a poor decision.

The longer-term significance of the expulsion was that it appeared to place still greater responsibilities on merchant banks when they advised their clients in takeovers and mergers. As Jardine Fleming withdrew from the Keppel deal after only a four-week involvement and never received a fee, this may be a matter requiring *further clarification*.

The publication of secret documents by the MAS has upset many bankers not involved in the affair. One says it was a "very serious breach of the confidentiality the MAS is rightly so keen to uphold." Another argues that the affair was "massive overkill" by the MAS and had done more harm than good.

Inevitably the awesome powers of the MAS have come in for criticism, a matter already the subject for public discussion following the passage during the year of three pieces of legislation affecting the financial sector. Two tighten the conditions under which banks and finance companies can lend or be taken over; the third extended the powers of the MAS.

It would be wrong to conclude from this controversy over the regulatory atmosphere that a bearish view of Singapore is gaining ground among established bankers. The public relations failures of the MAS aside, opinion remains that the island state has plenty going for it as an international or regional financial centre.

But where it goes from here is still a subject of speculation, and could hinge on how the MAS operates following the retirement from politics of Dr Goh Keng Swee, the First Deputy Prime Minister and chairman of the MAS.

Mr Richard Hu, managing director of the MAS and a former head of the Shell group of companies in Singapore, is expected to take over after standing for a seat in the forthcoming general election. And as a prominent Chinese banker said, of the authority, quoting an old proverb, "fear not government, fear only those who govern."

Terry Povey

Merchant Banks Operations (S$bn)

	(S$bn) Consolidated 1982	1983	1984*	Domestic 1982	1983	1984
Total assets	22.0	23.6	23.9	2.7	3.4	3.9
Loans and advances	11.3	12.5	12.8	1.5	2.1	2.1
Net interbank borrowings	8.8	9.7	9.7	−0.4	−0.08	−0.7
Capital plus Reserves	1.4	1.6	2.1	1.0	1.1	1.7

* First half. † Non-bank customers

Source: MAS

Flurry on a quiet day in the Eurodollar pit

Futures

JUST AFTER 4 pm, the atmosphere on the Singapore International Monetary Exchange (Simex) becomes decidedly nervy. By 4.30 the London markets will be staffing: it is time to close uncertain positions or open new ones in the expectation of making a quick gain as the two markets run in tandem for 30 minutes before Simex closes.

In the Eurodollar pit a U.S. floor trader has been executing a sell order most of the day. "Chicago handed me this baby when they were going to bed, but I think I'm selling a bit cheap," he says.

On the dot of 4.30 the first prices on trades from London came on the monitor. It is 8.30 am in London and the exchange there is setting the pace in its trading. The U.S. trader finds that his instinct on prices was correct: "I've been scalped. Still it's nice to see the locals (independent Singaporean traders) have learned the game so fast."

Apart from that flurry, life had been fairly quiet on that late October day. In the Gold futures pit there had been almost no movement in prices and hence little business. Even the attempts of a couple of traders to get some activity going in the third decimal place failed.

Gold was Simex's only contract when it opened in July. It was a minimum down payment (margin) on a lot of $1,600 and lots are of 100 troy ounces, worth about $33,000.

In its first four months gold averaged just over 700 contracts a trading day—but October saw only just over half the volume of September.

Things were also quiet in the D-mark contract—lot size DM 125,000 (about $40,300) with a margin requirement of $1,500. This had started in September and in its first two months seen some 660 trades daily.

It was in the Eurodollar time-deposit contract, which also started in September, that most interest was focused. Pre-election speculation on what would happen to interest rates following a Reagan win in the U.S. was intense and was making the markets volatile. The lot size here is $1m and the margin only $1,000—very attractive for the speculative trader.

In the Eurodollar's contract's first two months an average of just under 6,700 lots a month had been traded, worth $6.7bn.

A yen-dollar contract—lot size Y12.5bn about $50,500—was added from November 7. It is likely that the number of contracts will stay at four for some time.

"We want to see how these first four work out before going any further," Mr Ang Swi Tian, Simex general manager, says.

However, Ms Elizabeth Sam, of Mercantile House, says some thought has been given to possible new contracts and the favourite would appear to be the index on the Tokyo Stock Exchange.

> 'I've been scalped. But it's nice to see the locals have learned the game so fast.'

This would require negotiations with the Japanese authorities over proprietary rights, periods of calculation of the index, etc. But the fact that Hong Kong has decided to go ahead with a futures contract based on its rather erratic Hang Seng index might provide a spur for more rapid movement in Singapore.

The unique feature of Simex is the mutual offset arrangement with the International Monetary Market (IMM), the financial futures division of the Chicago Mercantile Exchange. This allows the Asian trader to day-trade in Simex during working hours of the region, establish a position in Simex and liquidate it in IMM and vice versa, and to hold a position in the IMM and liquidate it on the same exchange.

Institutions represented in both markets can carry on dealing in the same positions. At the start of November there were 31 clearing members and 32 non-clearing, each holding three of the S$50,000 exchange seats. About 20 to 30 per cent of trades are done under the to Mr Ang.

Are there plans to link with the other main financial futures market, Liffe in London?

There are no discussions on this at the moment, Mr Ang said. "Our arrangement with Chicago is going through a testing phase which may last three or four years. Under the agreement with Chicago, there has to be a complete review after five years."

One of the surprising things about Simex is that it exists at all. Many in the banking community can be trenchant in their criticisms of the Monetary Authority (MAS), Singapore's financial overlord. But few have anything but praise for the authority's role in allowing the development of futures trading—especially as it went against the grain for some *running the regulatory body*. Like many more-traditional bankers, they are deeply suspicious of such markets.

However, the position of the MAS has had to be clarified for one of its senior officials, Mr Ng Kok Song, who is also chairman of the Simex board. The authority wrote a letter to the exchange's board stating that it "had not dealt and would not deal on Simex, to avoid misconceptions of a possible conflict of interest."

This decision was "made to ensure that Simex users would be in no doubt that the MAS interest in Simex was purely regulatory."

It is likely that at some point the authority will come forward with legislation to govern financial futures. At Simex there is no fear what this will bring, as self-regulation has worked well.

Terry Povey

Slowly moving to a cashless society

By Chris Sherwell

SINGAPORE'S drive for automation to economise on manpower is pushing deeply into the domestic banking sector. But the country is some way short of the cashless society the authorities would like to see.

Up to seven out of 10 of Singapore's 1.2m workforce are still paid in cash. The government is in the middle of a drive to introduce cashless paydays, in which wages and salaries are paid through commercial banks or the Post Office Savings Bank, where most local people keep accounts.

The government is also proposing that different categories of people are paid at different times—in the middle or the third week of the month rather than the end, or fortnightly rather than weekly or monthly. Civil servants, for example, will be paid on the 12th of the month from January.

Workers are learning that they can pay rents, insurance premiums, utilities and telephone bills through local banks and withdraw cash outside banking hours through an increasing number of automated teller machines.

> The government is also proposing that different categories are paid at different times.

The Interbank Giro system was introduced only in April, following the start just 18 months earlier of the Automated Clearing House for *customers'* Singapore dollar cheques. This operation is run by Banking Computer Services. This is a joint venture between Overseas-Chinese Banking Corporation, one of the "big four" domestic banks, and Hongkong and Shanghai Banking Corporation, which also offers retail services.

Early next year this automated cheque-clearing system will be expanded to include all Singapore dollar interbank payments, which are currently cleared through accounts held at the Monetary Authority of Singapore, the country's quasi-central bank. scheme also involves Telecoms, the Singapore telecommunications authority.

This so-called Shift system (a System for Handling Interbank Funds Transfer) is based on Hong Kong's successful Chats scheme. Its introduction, though welcome, has irritated some banks, partly because of the fees involved and partly because of the way it is being pushed on them by the authority.

About 350 teller machines have been introduced across the island and the number is growing. Regulations are being relaxed, and the machines can be set up in department stores, government buildings and recreational centres as well as banks and companies. But they are costly, so the banks want to be sure before installing them that they will be used.

The Post Office bank, which offers personal current and deposit accounts as well as its *traditional savings facilities*, has been the pace-setter with 416,000 users of its 146 machines at the end of 1983. Mr Tan Chok Kian, the chairman, estimates that 58 per cent of cash withdrawals up to S$1,000 from the POSB are done through machines.

> About 350 teller machines have been introduced and the number is growing.

POSB also plans to start a "home banking" scheme, allowing depositors to pay bills, transfer money between accounts or request a balance by keying a personal code from a push-button telephone. United Overseas Bank, another of the big four domestic banks, already operates such a "telebank" service.

Looking ahead, a big step towards the cashless society is due next year when an even more sophisticated system is scheduled to start. It is called EFTPOS — Electric Funds Transfer at Point Of Sale.

This allows customers to pay for goods in a shop using a plastic card. Funds are instantaneously transferred from the customer's account to the retailer's account. This cuts the need for cash and cheques on the part of customers, and guarantees payment for the retailer.

Hong Kong has a similar scheme and is likely to begin operating it before Singapore, where a feasibility study is due to be completed before *the end of the year. The study* involves all the big four banks and the POSB. The

Trading tricky as prices fall

Stock Market

FOR STOCK market buffs and fund managers, investing or trading on the Singapore market this year has been a tricky business. In spite of an envious set of figures on the country's performance, share prices have moved primarily downwards.

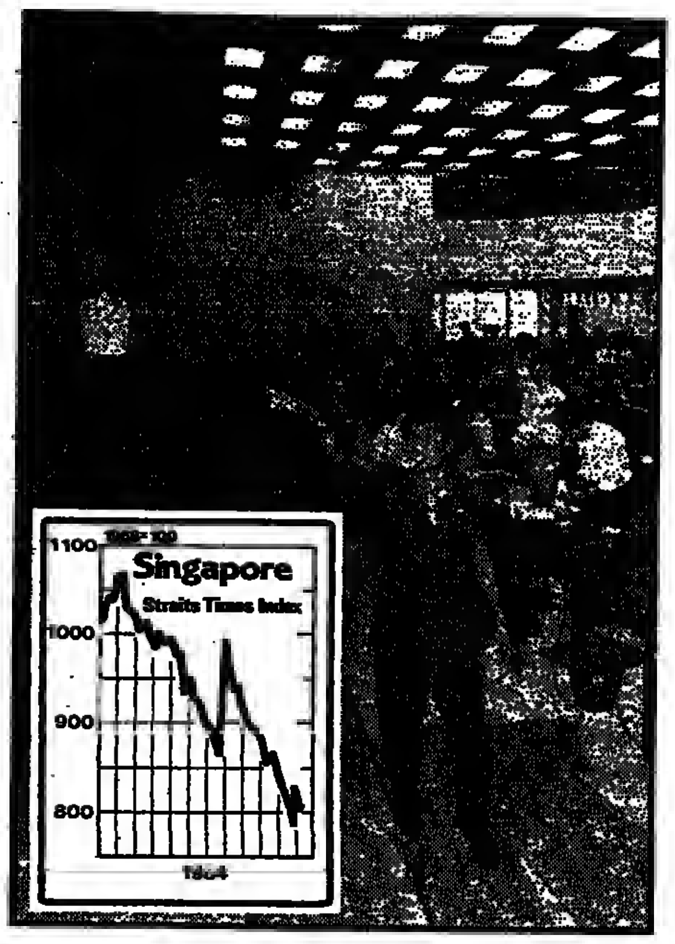
Rosy forecasts at the beginning of the year of a buoyant economic performance for 1984 helped propel the market to a record high. The Straits Times Industrial Index, the widely-followed market barometer, broke through the 1,000 psychological barrier to reach an all-time high of 1071.91 on February 8.

The trend was not sustained, however, and in the following five months the market made a slow descent. The index retreated 20 per cent from the peak to 867.26 on July 12.

A brief but spectacular rally in late July rekindled hopes of a market resurgence: aided by speculative interest in selected stocks, the index was back within whispering distance of the 1,000 barrier when it reached 994.87 on August 6.

But the index soon lost more than all the gains achieved in the rally, and by November 30 it was down to a 21-month low of 817.

The decline in the market was accompanied by dwindling volumes of shares transacted. In Januar turnover for the month reached 520m units, but for the rest of the year monthly volume fell to about 200m except for August, when turnover improved to 400m.



Plantations

The August rally provided the only respite for brokers, when turnover on a single trading day hit an all-time high of 39.6m on August 6. But in the past month or so of falling prices, tha volume has slumped to about 5 to 8m daily.

Except for the plantations sector, the fall in prices affected all sectors of the market. The Straits Times Finance Index is 15 per cent lower than at the beginning of this year. The Property Index is down 30 per cent and the Hotel Index unchanged.

The plantations sector, which comprises Malaysian rubber and oil palm companies, has good reasons for moving against the market trend.

The Straits Times Plantations Index started the year at about 1,610 and soared to a peak of 3,349 in May before declining to its current 2,528. The stimulus came from the surge in rubber and, more importantly, palm oil prices. The rubber price reached a peak of about S$2.45 per kilo in January but has declined to about S$1.70.

The palm nil price similarly started the year at about 1,640 Malaysian ringgit per tonne and then reached a peak of 2,650 in the same month. The current price is about 1,240. Even at current prices plantation companies can still enjoy an attractive rate nf return in view of tha high yield from nil palm acreage.

Many plantation companies posted significant improvement in earnings but the same could not be said of the rest of the market. Corporate earnings were either lower or grew more slowly, in spite of 9.7 per cent real growth in Singapore's gross domestic product in the first half of this year and expectations of only slightly slower growth in tha second half.

Listed companies were not the direct beneficiaries of tha strong economic expansion, as the main impetus come from the construction and electronics sectors. Neither have major representation on the market.

Construction companies made their debut on the Singapore market in the past three months, when two were granted listing.

Quoted construction-related companies such as steel mills, building materials and cement manufacturers, on the other band, suffered beavily from intense competition. The property glut has also set the industry on a declining trend, although big public construction projects such as the Mass Rapid Transit metro system and a second airport terminal buildings could provide some cushion.

Main beneficiaries of the upsurge in the electronics industry, particularly computer peripheral manufacturing, were multi-national companies and foreign manufacturers not listed on the Singapore Stock Exchange.

The real estate slump has been ona of the most negative factors pervading the market as many listed companies are involved in property-based activities and many stock market punters are involved in property speculation.

Banks also suffered from slower growth, with earnings cut back at the interim stage. The depressed state of the property market kindled fears of over-exposure on property loans and provoked official pressure to increase bad debt provisions.

Troubles in other areas — tourism, hotels, retailing, shipping, and shipbuilding and repairing — also bung over the market. So did political events in Malaysia, including a split in the main Chinese political party, a keenly contested election for party posts in the dominant United Malays' Natiooal Organisation, and the Bank Bumiputra scandal over bad property loans in Hong Kong. Rumours of possible devaluation of the Malaysian ringgit, denied by the Malaysian Government, accelerated the decline of the market.

Some brokers and analysts are unenthusiastic about prospects but others are more optimistic that the depressed market presents a buying opportunity for recovery. The Singapore economy has invariably demonstrated tremendous resilience, especially in turbulent times, they say.

Guidelines

Only four companies have made it to the Stock Exchange Board for new listing this year. More sought listing but tight vetting and stringent requirements caused rejectioos. Concern over difficulties in obtaining a listing were expressed by some merchant bankers and prompted the Stock Exchange to make a formal statement spelling out its criteria for assessing companies.

The criteria had been decided after consultations with the Securities Industry Council, the government's watchdog for the local equity market. Many features are not new, but the statement was seen as an attempt to clear the air over various interpretations of listing guidelines laid down in the Listing Manual revised earlier this year.

The Exchange nevertheless reiterated that it reserves the power to turn down an application for listing without giving reasons, even if, on the face of it, the criteria are met.

Government involvement is increasingly being felt in the regulation of the securities industry. The Securities Industry Council, though functioning as an advisory body, has more muscle than officially describ- and its "advice" is usually enforced.

An amendment to the Monetary Authority of Singapore Act has transferred the powers, functions and duties of administering the Securities Industry Act to the authority, which is Singapore's quasi-central bank.

This move places the industry under greater government surveillance, and gives the authority the power to issue licences for dealing in securities and performing investment advice. Previously this was in the bands of the Registrar of Companies.

Georgie Lee

Architect of a miracle bows out

Profile

Goh Keng Swee

A TOWERING figure in Singapore public affairs will retire from politics after the forthcoming general election. He is Dr Goh Keng Swee, First Deputy Prime Minister and Minister of Education, and chairman of both the Monetary Authority of Singapore and the Board of Commissioners of Currency.

Dr Goh, who was 66 in October, is the widely-acknowledged architect of Singapore's economic miracle. He tends to shun such sobriquets, but no one except Prime Minister Lee Kuan Yew has wielded greater power for such a sustained period in Singapore. His retirement sets an important standard in the country's politics.

Dr Goh is well-known for his hard-nosed commonsense view of the world. He once wrote that there was no reason why other underdeveloped countries should not join Asia's high-flying "gang of four"—South Korea, Taiwan, Hong Kong and Singapore.

"All they have to do is provide a firm, stable and efficient administration, stop the habit of dipping their hands into the public till, discipline their workforce, provide the infrastructure and introduce the kind of economic poicies we have," he said.

He is an economist by training, taking a first and completing his doctorate at the London School of Economics. But for guidance on economics, he believes you have to look no further than Alfred Marshall and David Ricardo. In public affairs, though, non-economic factors are far more important—specifically the government, which he sees as the most important factor determining the rate of economic progress.

Indeed, his speeches down the years reflect his belief about the difference between the theoretician's view and the practitioner's. "A practitioner is not judged by the rigour of his logic or by the elegance of his presentation," he once said. "He is judged by results."

Cabinet government was not a debating society or academic seminar: "In political life there is no alibi for failure."

Government therefore had to confront nasty problems and take unpopular steps. They

'In political life there is no alibi for failure.'

had to be scrupulously honest and ensure that the man-in-the-street derived visible material benefits from growth. Equally, ordinary people had to be made to save, and should not be slackers or shirkers. Trade unions had to recognise the limits of their action.

Dr Goh became Minister of Finance after winning a parliamentary seat in the 1959 self-rule election. In 25 years of government he has won a reputation as a superb administrator who staffed his departments with the best people he could find, framed policies to deal with identified problems and saw his policies through.

Dr Goh Keng Swee: First Deputy Prime Minister

He initiated Singapore's highly successful industrialisation plan, establishing the Economic Development Board, the Development Bank of Singapore and the Jurong Industrial Estate.

In 1965, after the traumatic break with Malaysia, Dr Goh set about building up Singapore's armed forces as Minister of Defence. He started national service and equipped a modern military establishment to deter—but not provoke—any ambitious aggressor.

Between 1968 and 1980 he returned to the Ministry of Finance and then did a second stint at defence before becoming Deputy Prime Minister. He oversaw the genesis of Singapore as an international financial centre, taking advantage of its favourable location as markets in money, foreign exchange and capital grew.

In 1979 he took over the Ministry of Education to revamp the country's schooling, and this year initiated the controversial switch to all-English teaching which will be completed by 1987. In 1981 he unexpectedly became chairman of the Monetary Authority, where he ordered a shake-up and gave the institution its awesome reputation as a no-nonsense bank regulator.

Three pieces of legislation on the financial sector have emerged this year as a result, reflecting the government's concerns about the implications of the debt crisis for Singapore.

But Dr Goh's views about the origins of that crisis are typical: "Where large sums of money are lent to governments which are notoriously corrupt and whose civil servants are conspicuously incompetent there will be a problem getting the money back," he told a London audience last year.

Dr Goh is also clear now what he and his colleagues have done for the country. "The contribution of my generation has been, after winning independence, to wipe out poverty in its worst forms—mass unemployment, wretched housing, widespread illiteracy.

"We have provided a solid basis for future generations to build upon, to create a better society which everyone believes is worth preserving—one that is more educated, more cultivated and possesses greater internal cohesion and harmony."

Younger leaders, however, still had to win their spurs. As he told a gathering of the ruling party elite recently, the real test would come when the country ran into a crisis: "For this, their ability remains untested."

As for the future, the changes of leadership and in the electorate would mean both the style of government and substance of policy would probably change.

News of Dr Goh's planned retirement came as a surprise

He gave the Monetary Authority its awesome reputation.

when it was revealed by Mr Lee during a rally in August. Even more surprising was one of the reasons: Dr Goh had been in hospital for treatment last year, and got "a remission," Mr Lee said.

To many, his decision to leave public life helps explain why he has seemed so energetic this past year. He even found time for an assault on the Singapore pig, taking over the primary production department and encouraging new arrangements with Singapore's neighbours to assure future pork supplies.

Dr Goh's seat in the Kreta Ayer constituency will be contested by Dr Richard Hu, who is 58 and has been managing director of the Monetary Authority under Dr Goh.

Dr Hu is expected to take over Dr Goh's MAS chairmanship role as a minister after the election. Dr Goh hopes to spend a quiet retirement indulging his favourite hobby, photography. No one doubts, however, that he will be available as a troubleshooter at any time his old comrade Mr Lee needs him.

Chris Sherwell

Misleading label for economic future

High-Tech.

HIGH TECH has become an overworked phrase in Singapore, and the Government acknowledges it. The term is supposed to encapsulate the country's economic future, but it has become misleading.

The 1980s growth strategy is clear enough: Singapore wants to jettison labour-intensive low-value-added manufacturing activities which more populous competitors can perform, and "upgrade" to high-value-added activity which *demands* more skills and brings higher pay.

This is the high-tech path, and it has conjured an image embracing computers, electronics, automation, robotics, telecommunications and biotechnology. Already Singapore is being dubbed Silicon Island after five years of rapid progress.

But Singapore's growth will come as much from its development as a regional services centre as from its sophisticated manufacturing sector, for there are limits on what such a small country can achieve in this field. The work in assembling an expensive computer or making an exclusive fashion gown may be less sophisticated than manufacturing a cheap colour television or mass-producing frilly underwear.

Mr Lee Kuan Yew, the Prime Minister, recognises these limits. He acknowledges that Singapore could only hope to keep abreast with what industrialised countries are doing, and service them at the peripheries or little niches that are left open.

"If the Europeans can't muscle in on computers, I don't see how we can," he said.

The Economic Development Board, the startlingly successful government agency responsible for attracting foreign manufacturers into Singapore, is just as frank.

"We're not going to create an IBM," says Mr P. Y. Hwang, its chairman. "And the Government certainly cannot foster an Apple. But we must climb the technological ladder. Things are moving fast in the industrialised countries, and we can't be left behind or it will affect our ability to make a living."

None of this means the basic strategy is unsound. At its heart lies the recognition that Singapore, being a small place, must automate, computerise and "robotise" its worthwhile existing activity to maintain its growth rate without depending on help from an even larger foreign workforce.

> 'If the Europeans can't muscle in on computers, I don't see how we can.'

"Our industry must be more efficient; lean, mean and modern," an official says. "So we provide attractive incentives to mechanise."

Even the civil service is computerising. So is the domestic banking system, in a move to the "cashless society." Whereas only 400 business establishments used computers in 1979, 1,800 did so in 1982 and the forecast for 1985 is 3,600. The number of computerised machine tools has climbed from 53 (in 20 companies) in 1979 to 564 (in 157 companies) this year. There are 800 robots in operation compared with 250 in 1982.

Industries which cannot cope with the high-wage policy imposed to enforce these changes go to the wall. Textiles is one, plywood another. New businesses making computers, machine tools and robots are springing up. Even in the all-important petroleum sector, which still accounts for more than one-third of manufacturing output, refiners have upgraded installations over three years to make Singapore one of the world's most modern as well as one of the biggest refining centres.

The hunt is on meanwhile, to attract more industries with real growth prospects. Even the oil refining outlook is dismal with new complexes coming on stream in neighbouring countries. Singapore also does not want obsolescent "hand-me-down" industries needing a temporary prolongation of life.

Greatest progress has been seen in electronics. Cumulative foreign investment in the electrical and electronics sector — machinery, appliances and supplies—stood at S$620m in 1978. By mid-1983 the figure was close to S$2bn, and the sector accounted for almost one quarter of manufacturing output. Apart from refining, only chemicals showed comparable growth.

Last year, the electronics sector received a boost from the U.S. recovery. Output rose 26.5 per cent to S$6.7bn with only a 1.5 per cent increase in employment, resulting in a 15.6 per cent increase in value added per worker, to S$28,200. This is the sort of development the authorities like.

More than 95 per cent of the 1983 output was exported. Components — semiconductors, printed circuit boards, resistor networks and connectors — continued to make marginally more than half the exports of electronic products.

But there was a trebling of the proportion of industrial electronic goods — computer systems, sub-assemblies and peripherals — from 6 per cent to 19.9 per cent. This was at the expense of consumer goods, but even there were more high-value colour televisions and cassette records than monochrome sets, radios and calculators.

No leading electronic name seems to be absent from Singapore. One of the biggest constraints they face is supply of skilled manpower. The Government recognises this, knowing that only increases in skills and productivity will keep Singapore attractive to foreign investors, in electronics or otherwise.

> 'Our industry must be more efficient; lean, mean and modern. So we provide incentives to mechanise.'

To increase computer literacy and learning of computer skills, the Government has established the National Computer Board. Three training institutions have been set up, and a computer science department at the National University. By next year Singapore will have the capacity to train 700 professionals a year. The board says there were about 2,800 in 1982, and another 2,500 will be needed by next year.

Looking ahead, the newest area being developed is bio-engineering. Spearheading tha effort is a new Institute of Molecular and Cell Biology being set up at the university to do research in a dozen areas of biotechnology. The Government has given the institute a five-year budget of S$65m. A Singaporean is returning from Canada to head it, and biologists from the U.S., Europe and Japan will be encouraged to visit.

The hope is that biotetch companies will follow, using the graduates and the experience built in Singapore. "We will encourage any biotech company with a product it can make," says Mr P. Y. Hwang of the Economic Development Board.

Three projects are already on the drawing board, one big government venture to produce hepatitis-B vaccine.

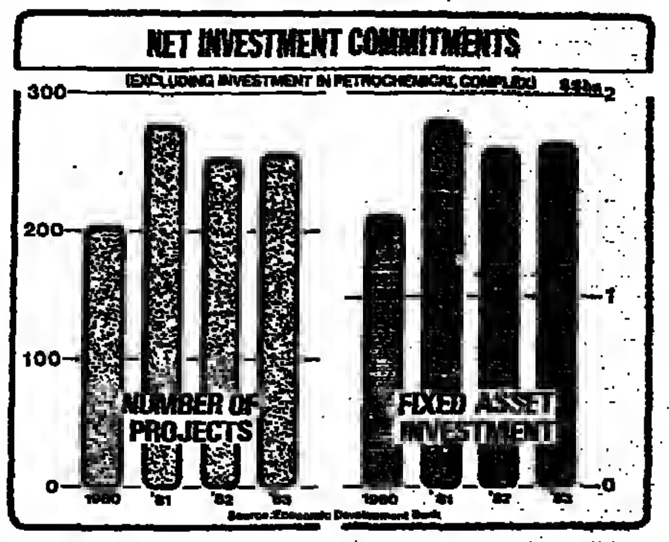
On top of the many existing incentives, the Government introduced a Bill into parliament in October offering more to encourage investment in new technology. This would allow any Singapore-controlled corporation to deduct three years of losses and unabsorbed capital allowances by a new technology company it sets up, up to 50 per cent of the company's paid-up capital.

The idea is to persuade cash-rich Singapore companies looking for new opportunities to put their spare resources to a different use. The need for more venture capital is acute. Eight well-known companies have already decided to pool resources to invest in venture capital projects, but it is early days yet.

Future steps down the high-tech road will encourage general research and development, the Government hopes. It has already set up financial incentive schemes and is now promoting a 125-hectare science park near the university. This houses a robot leasing business and consultancy, two plant biotech companies, an industrial standards institute, and a ship certification company.

The underlying idea is that Singapore should try to stay ahead of its neighbourhood competitors by successfully doing what they cannot. So far it has succeeded. How much longer it can do so is as much up to Singapore's competitors as its own people, and the Government is nothing if not realistic about its chances.

Chris Sherwell



Manufacturing sector

	1960	1965	1970	1975	1980	1983p
Establishments	548	1,000	1,747	2,385	3,355	3,743
Employment	27,416	47,334	120,509	191,528	285,250	270,351
Output S$m	466	1,086	3,891	12,610	31,658	34,679
Input S$m	320	731	2,748	8,949	22,425	24,722
Remuneration S$m	67	132	398	1,187	2,527	3,490
Value added S$m	142	348	1,094	3,411	8,522	9,049
Direct exports S$m	164	349	1,523	7,201	19,173	21,017

p provisional. Source: Singapore Department of Statistics.

Gloomy warnings of more crashes

Property

EXPECT MORE than one Singapore property company to crash in the coming months: that is the gloomy view of estate agents, bankers, brokers and accountants as the island state's commercial and residential property market continues its seemingly inexorable decline.

Opinion is divided on whether such a development would be bad. Even senior officials who acknowledge the problem appear not to be worried. They welcome the plunge in office rents and hotel-room rates, because it make Singapore a more attractive place in which to set up business or to visit.

It may be going too far, however, to suggest that the government has engineered the trend. On the contrary, there have been bad errors in the past few years. Developers are paying for these and for their own misjudgments.

The most significant official mistakes have been the decision of the Urban Redevelopment Authority, a governing agency, to continue selling development land up to 1982, and the upbeat forecasts by the Singapore Tourist Board, also an official agency, for the growth in visitors to Singapore in the 1980s.

The past four years have seen more houses, shops, offices and hotels built in Singapore than at any time. Developers and bankers rushed to cash in on the boom, which began in 1978-1979 after a slump over the period from 1974. The latest downward trend was clearly visible last year, but predictable even earlier.

The URA acquires land at the price of a decade ago, offers it at special sales and penalises developers if work goes too slowly. It is the main supplier of development land in Singapore, but it overcompensated for the space shortage of the late 1970s with large sales in 1979-80. These continued into 1981 and 1982, and its rules made the glut inevitable.

Only last year did the URA cancel its annual sale. And only four months ago, after developers for the first time began handing land back, did the Ministry of National Development, which controls the agency, relax its rules to allow up to 35 per cent more time for completion of work on scores of projects.

> More houses, shops, offices and hotels built than at any time.

The URA is reported also to have stepped up its purchases of private land, partly for the mass rapid transit metro project but also to influence overall supply.

Existing hoteliers and retailers have suffered, but their plight has been worsened because more hotels and shopping complexes have come on the market or been planned. The number of hotel rooms in Singapore at the end of 1983, for example, was 14,468; no less than 15,363 were under construction.

The main additions will come from the three hotels which make up the Marina Centre development, and two more at the nearby Raffles City. One completed hotel has delayed opening. Room tariffs at established hotels have been slashed and occupancy rates, at their lowest for years, will fall further, though probably not below break-even levels.

Retail space is expected to come on the market in coming years at twice the historic demand rate, and this will follow a period in which several department stores have opened their first outlets in Singapore. Private shopping space is estimated to have increased by 39 per cent in the past two years, and the weak tourist market has hit retailers further.

In the office sector, rents are 40 per cent off their peaks — more if parking and rent concessions are taken into account. Space can be found in good locations for less than S$3 a sq ft and less than S$4 in prime areas, and Singapore is already slipping in the world league table for office rents.

> Something deep-rooted which will not go away with world recovery.

The ultra-modern, 43-storey Chartered Bank building at one end of the financial district was only 54 per cent let when officially opened in October — and at rents far below original estimates.

Like retail space, total office space to be completed in 1984-88 will come on the market at about double the historic demand rate.

Similar situations of supply outstripping demand also prevail in the factory and warehouse sectors and in the private residential sector. Some analysts point out that the problem in office and warehouse space is less one of supply than of demand, which has been below trend.

Differences of view are also apparent over whether the overall problem of Singapore's property market is simply cyclical. Government ministers believe it is, and the market tends to forget that historically it has been so.

Changes in demand would quickly lift some of the gloom, and a big property collapse is thought unlikely because the bigger development projects are solidly backed.

Nevertheless, some agents doubt that matters are so simple, and have begun urging the Government to take more steps to prevent the glut becoming critical. So has Mr C. N. Watson, who heads a government-controlled company and chairs the Singapore International Chamber of Commerce.

In a speech to the Institute of Planners, he said Singapore was witnessing an oversupply "which is not part of a typical property cycle. We face something more deep-rooted which will not just go away as the world recovery picks up."

The degree of imbalance in the property market was too great to be left to find its own equilibrium through market forces, he said. He called on the government to defer or cancel public sector projects to avoid pumping more property into an "oversaturated" market, to suspend the URA supply of land and to consider buying back some sites and temporarily rezoning cleared sites.

Inevitably, growth in the construction sector—a big contributor to Singapore's robust economic performance in the past three years—has started slowing.

In spite of this, the property market is expected to get worse before its gets better.

Chris Sherwell

Property market: Cumulative supply and demand

(000's sq. metres)

(+ = excess supply, − = shortfall)

	1978	1979	1980	1981	1982	1983	1984*	1985*	1986*	1987*
Office	+43.4	+8.6	−117.2	−88.9	−9.7	+63	+160.6	+211.5	+488	+573.7
Retail	+43	+61	+81	+77.3	+80.7	+135	+171.8	+265.3	+309.4	+353.1
Residential†	+2,312	+1,387	+508	−242	−626	+161	+4,127	+8,475	+8,459	+5,415
Warehousing					+104	+87.2	+323.7	+222.4	+257.4	+34.4
Factories					+858	+638	+748	+852	+1,018	+1,179

* Forecasts. † Units.

Source: Simon Lim, Oh and Partners.

Recession and taxes take toll

Celebrating the Lion Dance

Tourism

TRAVEL AGENTS, tour operators, resident expatriates and even some local people have voiced complaints about Singapore as a tourist spot over the past couple of years. Tho problem is that the place has become too expensive, and there is not enough to see or do.

In August the government, impressed by the criticism and alarmed by last year's fall in the number of visitors, reacted by setting up an 11-member "tourism task force" to suggest ways Singapore could regain its image as an attractive place to stay and see.

Three months later the panel produced an 84-page report with 93 recommendations—some bright, some surprising.

Tourism is important to Singapore's economic well-being: it contributes 16 per cent (S$2.19bn last year) of foreign exchange earnings and 6 per cent of gross domestic product. The number of visitors has grown an average 15.7 per cent in 20 years, but in 1982 the growth was only 4.5 per cent and last year the number contracted 3.5 per cent.

This year, though better, will still see growth well below half the average, reaching a total of 3m people.

The bad news from the task ferce, however, is that this poor performance is not cyclical. It is the result of punitive exit taxes imposed on residents in neighbouring countries, high hotel rates and retail prices—made firmer by a strengthening Singapore dollar. Also contributing is the erosion of Singapore's Oriental mystique and charm by rapid modernisation.

The Western recession did not help either. Hoteliers and retailers have also been hit by a flood of hotel rooms and shopping space on to the market, largely the result of exaggerated expectations about future numbers of visitors.

The impact of this should weaken prices and help Singapore regain some of its competitiveness, but the task ahead lies in making the island state more attractive.

As the task ferce indicates, Singapore must not only maintain its positive attributes—fine shopping and food, good facilities and a clean environment—it must also overcome the negative image of Singapore as a dull place for tourists.

Perhaps the most important proposal is fer e restoration of old Chinatown in the city centre. Previously Singapore has appeared determined to tear down its heritage, and attracted volnble criticism as a result. Now it proposes not enly a resteration but an infusion of new life.

If this seemingly ebvious idea works, it will be extended to other historical areas like "Little India." The report also suggests that the government acquire Haw Par Villa—the subject of a legal dispute—and further develop modest attractions like Sentosa Island and the Botanic Gardens.

Tribulations

The main proposals for new attractions are a world-class exposition, Expo Asia, to be held in 1989, a Latin Quarter-style development of the Singapore River area, and the transformation of offshore islands into resorts.

The trials and tribulations of shopping in Singapore attract the task force's attention. It recommends mandatory price-tagging to end the discount and bargaining mentality, lower margins from wholesalers, and better sales service.

An end to the lamentable lack of good entertainment is also proposed, by making Singapore a regional centre for world-class cultural perfermances. The task force suggests a reduction in entertainment duties of 25 to 35 per cent—among the highest in the world—to 10 per cent, and the constructien of e larve concert hall.

The report encourages further promotion of Singapore as e modern convention and exhibition centre, to bring in still more "high yield" (heavier spending) visitors. It says the government, which has already agreed to waive professional visit pass requirements, should build large convention and exhibition halls.

Little of this is likely to produce adequate returns unless Singapore diversifies its tourist market. As the report says, half of Singapore's foreign visitors come from four countries — Malaysia, Indonesia, Japan and Australia — and two-thirds come purely for holidays.

The aim, plainly, should be to bring in a wider range of people who stay longer than the *typical 3.6 days* and spend more than the average S$850.

The establishment of the task force and the detail of its report are an implicit recognition that all is not well with the tourist industry. But the government has quickly endorsed the findings and says the recommendations will be implemented "in the next few years."

The acid test will be the future number of visitors, and the task force has named a target: 5m in 1990.

Chris Sherwell

Pains of rampant employment

Manpower

SINGAPORE is suffering from "rampant employment" claims President C. V. Devan Nair. Its tight labour market plus the commitment to phase out foreign workers by 1991 has made a sharp increase in productivity essential if high rates of real growth are to be maintained.

In 1981 a target of 8 to 10 per cent real growth per year for the decade was mooted, but over the last three years this has been recognised as on the high side so a more modest 4 to 6 per cent is now expected.

One of the main reasons for the rethink has been the manpower implications of the original target—which was the subject of controversy and some scepticism from the moment it was announced. A 10 per cent growth rate would have implied either a wave of foreign workers entering the country or an equally big leap in the rate of growth in productivity from the 3.7 per cent per year achieved over the decade to 1980 to around 8 per cent per annum.

The more modest new targets set make it easier (but not easy) to fit the various policies together. Nevertheless, to achieve a 6 per cent growth rate per year and to phase out most foreign workers at the same time will require productivity to rise by 5.8 per cent per year: a 4 per cent growth rate implies a 3.8 per cent rise in prodnctivity.

This year's "productivity month" (November) was launched by Mr Lee Kuan Yew, Singapore's Prime Minister.

Before the November campaign, a survey of attitudes to productivity was taken among workers. Premier Lee made much of the fact that they blamed bosses for not being interested in ideas to promote productivity from the shop floor. The workers also spoke of bad relations with management—although in the Singapore context this meant bad personal relations rather than industrial troubles and disputes.

Mr Tay Kwang Seng, chairman of the Singapore Manufacturers' Association, claimed: "A far higher percentage of workers are interested in talking about hindrance to productivity and less are interested in productivity itself." He was concerned at the falling interest in training schemes, at the lack of company loyalty and at the fact that only 20 per cent of those surveyed were interested in joh develo·ment.

In spite of these arguments over who should take the lead in the productivity effort, few doubt its importance to the future of the economy. However, because part of the campaign involves a shakeout from labour intensive sectors, frequent complaints are heard on the way the policy affects companies and sectors.

In the first half of 1984, some 20,100 net new workers were employed, which compares with 33,300 for the same period last year. Thanks to the government-financed projects (MRT plus public housing), there were some 25,000 more construction workers.

Manufacturing gained 10,700 (against a loss of 23,500), trade lost 15,500 (mainly due to the failure of tourism to grow) and transport and communications lost 5,000, including 1,200 redundancies at Singapore Bus Company.

In spite of this, evident shake-out, the labour market remains tight. "I spend S$80,000 a month advertising for workers," says Mr W. S. Nakamura, managing director of NMB (Singapore), a subsidiary of Japan's Minebea which employs some 4,000.

Growing productivity

	Economically active (000s)	Increase over 1983 (%)	GDP per worker (S$000s)†	Increase %
Manufacturing	324.4	−3.5	9.48	5.8
Construction	84.0	16.9	14.98	10.1
Trade	265.0	4.5	13.84	—
Transport and communications	131.9	1.6	24.15	6.0
Financial and business services	95.0	5.8	35.35	10.0
Other services	243.1	3.2	6.91	4.9
Other	24.2	0.8	27.79	8.0
Unemployed	38.8	29.8	—	—
Total	1,206.4	3.1	12.72	4.7

† GDP in 1968 prices. Does not add up due to bank charges.
Source: Economic Survey of Singapore 1982 and 1983.

Gaps in the labour force have traditionally been filled by importing workers from neighbouring states—mostly Malaysians—who enter with limited-duratien work permits, and from developed state's professionals who come under the employment pass scheme.

The 1983 Economic Survey of Singapore registered 1.2m economically active workers. Officials say that about 150,000 are permit-holders and 25,000 pass-holders. With the domestic work force rising by only 1.8 per cent a year—the country has a replacement-only birth control policy—most of the natural increase would be required to replace the foreign workers over the rest of this decade.

The commitment to phasing out the permit holders is a highly sensitive issue. It is as much a social and political priority as an economic one. Singapore's leaders see immigration as one of the main causes of political instability worldwide and from the tops of their skyscrapers they can easily see their populous neighbours.

Given the difficulty of raising productivity by such rates, will the policy of expelling the foreign workers be adhered to? "It's not going to be easy. Obviously the rate of economic growth cannot be maintained," says Prof S. Jayakumar, Minister of Labour. But the 1991 target would not be officially abandoned as "we must keep up the pressure on employers to automate and mechanise, even to bring in higher-paid workers from abroad."

The trade unions support this policy. Mr Ong Teng Cheong, secretary-general of the National Trades' Union Congress and Minister without Portfelie says: "As a union leader I say that the foreign workers must be phased out. But the cost in terms of lost production could hurt our domestic workers and so it may not be possible te achieve the 1991 target."

Mr Ong eccepts that lower growth is one consequence of getting rid ef the unskilled migrants.

Hewever, the policy as it is developing seems to be a flexible eoe, in which the threat ef 1991 is used to keep employers moving in the right direction. Concessions are made to keep the growth pot simmering. For example, tha increase in workers in the first balf of this year was mainly in coostruction, thanks to the government's pump-priming. Most of the 25,000 new construction workers are foreigners.

Other recent concessions have been an extension by five years of the 1984 deadline for phasing permit-holders out of manufacturing industry and the promotion of recruitment from three new countries—Hong Kong, Sonth Korea and Taiwan.

The government is waging a campaign to persuade the domestic workforce to accept a longer werking life (many Singaporeans see 55 as the retirement age) and for married women to re-enter employment.

A rapid increase in the number of skilled workers and professionals is also needed, even though Singapore has one of the best-educated workforces in the region.

Singapore may have to almost double output of engineers and add 50 per cent to the number of other graduates to achieve some of the higher objectives. About one-third more technicians will be needed as well.

By next year, 15 per cent of new entrants to the workforce will be graduates and 65 per cent will be technicians or skilled workers, says Dr Tony Tan, Minister for Finance and Trade. Shortfalls can be made up by expatriates, and the government bas no plans to phase these out.

The tight labour market has become an issue for foreign employers. Several established manufacturers are not planning expansion because of rising costs and the problem of holding on to local workers. "Job hopping is fine with us," says Minister and union leader Mr Ong.

At one Japanese factory, basic wages for unskilled workers are S$460 (£169) a month. Once the 13-month bonus wage is added, plus the 25 per cent employers contribution te the Central Provident Fund, and the 2 per cent payroll tax, and the 4 per cent for the Skill Development Fund, the total rises to S$655 (£241). By comparison, workers in Thailand are doing similar work for only S$250 a month with no extras.

The official attitude to this appears almost complacent. "We simply cannot compete with other developing countries which have abundant labour resources," says Professor Jayakumar. Those companies that think they can produce their products cheaper elsewhere because of lower labour costs are invited to do so.

The growth rates achieved this decade—6.3 per cent in 1982, 7.9 per cent in 1983 and an annualised 9.5 per cent this year—are en line for just less than an 8 per cent average. Bet the number of unskilled foreign workers has been increasing and this policy bullet has not been bitten. If and when it is, something will bave te give and the pelitícians are saying that they would sacrifice growth for the sake of stability and social bomogenity.

Then the question would be how many of Singapore's better educated workforce would be attracted towards the menial work done by the permit-holders. Not all sectors would be happy with a strict adherence to the phasing-out policy and many employers are hopiog for continued flexibility well into the next decade.

Terry Povey

BUSINESS GUIDE

ENTRY REQUIREMENTS
Passport: required by all with few exceptions (eg. certain pilgrims and members of Commonwealth Forces).
Visa: not required by UK and Commonwealth citizens, certaio document holders and nationals of certain other countries. Nationals of France, West Germany, Japan, U.S. do not require visas for short stays (except for employment, residence), most other nationals do not in general require visas if stay is brief and onward passage assured.

HEALTH PRECAUTIONS
Mandatory: yellow fever within six days of travelliog from infected area.

DIPLOMATIC MISSIONS
Bangkok, Bonn, Brussels, Cairo, Canberra, Jakarta, Jeddah, Kuala Lumpur, London, Manila, Moscow, New Delhi, Paris, Tokyo, Washington, Wellington.

NATIONAL AIRLINE
SIA (Singapore Airlines).

OTHER AIRLINES
Aeroflot, Air France, Air India, Air Lanka, Air Niugini, Air New Zealand, Alia, Alitalia, Bangladesh Biman, British Airways, Burma Airways, Cathay Pacific, China Airlines, CSA, Garuda, JAL, JAT, KLM, Lufthansa, MAS, Pan Am, Philippine Air Lines, PIA, Qantas, Royal Brunei Airlines, Sabena, SAS, Saudia, Swissair, Tarom, Thai International, UTA.

INTERNATIONAL AIRPORT
Changi (Code: SIN). 20 km from city.
Facilities: duty-free shop, bar, restaurant, buffet, bank, hotel reservations, post office, shops, car hire.

HOTELS
(10 per cent service charge is added to bill; additional tipping is officially prohibited).
Ambassador, 42-46 Meyer Road (tel: 4463311; telex: 25034).
Apollo Sentosa, Sentosa Island (tel: 633377/432081; telex: 21077).
Apollo Singapore, 405 Havelock Road (tel: 7332081; telex: 21077).
Asia, 37 Scotts Road (tel: 7378388; telex: 24313).
Bencoolen, 47 Bencoolen Street (tel: 3360822).
Boulevard, 40 Cuscaden Road (tel: 7372911; telex: 21771).
Cairnhill, 19 Cairnhill Circle (tel: 7346622; telex: 26742).
Century Park Sheraton, PO Box 89, Tanglin Post Office (tel: 7379677; telex: 21817).
Cockpit, Oxley Rise/Penang Road (tel: 7379111; telex: 21366).
Dynasty, 320 Orchard Road (tel: 7349900; telex: 36633).
Equatorial, 429 Bukit Timah Road (tel: 2560431; telex: 21578).
Excelsior, Coleman Street tel: 3389644; telex: 28284 — opening 1984).
Garden, 14 Balmoral Road (tel: 2353344; cable: Garden).
Goodwood Park, 22 Scotts Road (tel: 7377411; telex: 24377).
Grand Central, Cavenagh/Orchard Roads (tel: 7379944; telex: 24389).
Great Eastern, 401 MacPherson Road (tel: 2848244; telex: 24321).
Hilton International, 581 Orchard Road (tel: 7372233; telex: 21491).

BASIC DATA	
Area (1983)	618.1 sq km
Population (1983)	2.502m
Chinese (76.6%)	1.917m
Malay (14.7%)	368,500
Indian (6.4%)	160,600
Other (2.2%)	55,800
GDP (1983) at current market prices	S$35.17bn
"Indigenous" GDP (1983)	S$25.27bn
Exports (1983)	S$46.15bn
Imports (1983)	S$59.50bn
Exports to EEC (1983)	S$4.21bn
Imports to EEC (1983)	S$6.12bn
Reserves (June 1984)	S$20.8bn
Exchange rate (Nov. 30, 1984) £	S$2.598
US$	S$2.17

Singapore is a member of the Commonwealth, and of the Association of S.E. Asian Nations (Asean).

Holiday Inn, 25 Scotts Road (tel: 7377966; telex: 21818).
Hyatt Regency, 10-12 Scotts Road (tel: 7331188; telex: 24415).
King's, Havelock Road (tel: 910011; telex: 21931).
Ladyhill, 1 Ladyhill Road (tel: 7372111; telex: 23157).
Lion City, 15 Tanjong Katong Road (tel: 3458111; telex: 21789).
Mandarin, Orchard Road, PO Box 135 (tel: 7374411; telex: 21528).
Marco Polo, Tanglin Road (tel: 4747141; telex: 21476).
Meridien, 100 Orchard Road (tel: 733855; telex: 50163).
Meridien Changi, 1 Netheravon Road, Upper Changi Road (due to open 1984).
Merlin, Beach Road/Golden Mile (tel: 2580011; telex: 22150).
Ming Court, Tanglin Road (tel: 7371133; telex: 21488).
Miramar, 401 Havelock Road (tel: 733022; telex: 24704).
Nikko, Outram Road/Granges Avenue (tel: 7330188; telex: 50141).
New Otani, River Valley Road (telex: 20299).
Novotel Orchid Inn, 214 Dunearn Road (tel: 2503322; telex: 21756).
Oberoi Imperial, 1 Jalan Rumbia (tel: 7371666; telex: 21654).
Orchard, 442 Orchard Road (tel: 7347766; telex: 85228).
Pavilion Inter-Continental, 1 Cuscaden Road (tel: 7338888; telex: 37248).
Peninsula, 8 Coleman Street (tel: 3378091; telex: 21169).
Phoenix, Somerset/Orchard Roads (tel: 7378666; telex: 23718).
Plaza, Beach Road (tel: 2980011; telex: 22150).
President Merlin, 181 Kitchener Road (tel: 2950122; telex: 35581).
Raffles, 1-3 Beach Road (tel: 3378041; telex: 21586).
Royal, 36 Newton Road (tel: 2534411; telex: 21644).
Sea View, Amber Close (tel: 4461122; telex: 21555).
Shangri La, 22 Orange Grove Road (tel: 7373644; telex: 21505).
Singapura Forum, 585 Orchard Road (tel: 7371122; telex: 21322).
Supreme, 15 Kramat Road (tel: 7378333; telex: 33283).
Tai-Pan, 101 Victoria Street (tel: 3360811; telex: 21151).
York, 21 Mount Elizabeth (tel: 7370511; telex: 21683).

TAXIS
Metered; certain standard additions to meter fares eg, air-conditioned taxis, luggage, over *two passengers, journeys* between 0100-0600; tipping optional.

CAR HIRE
International or national driving licence acceptable. Drive on left.
Avis: Boon Liew Bldgs., Bukit Timah Road (tel: 7379177; telex: 23395).
Autohansa: G-27 Oub Bldgs., Collyer Quay (tel: 2244155; telex: 26740).

INTERNATIONAL AIRPORT
Avis: tel: 5428855/5428877.
Autohansa: tel: 806111.

INTERNAL TRAVEL
Road: 2,285 km of roads in 1980 —1,957 km surfaced.
Area Licence Scheme: the Central Business District is a restricted zone for private vehicles and taxis 0730-2215, Mon.-Sat.
Bus: scheduled services 0600-2330; timetable widely available, eg. at news stands.
Rail: regular express services to Kuala Lumpur.

TELECOMMUNICATIONS
Telephone dialling code for Singapore (all places): prefix *plus 65. Approximately 814,000* telephones 1981; 100 per cent automatic service; over 8,700 public telephones; approximately 329,000 business telephones. Local calls free except from public telephones. IDD access code: 005. IDD service available to over 50 destinations including Australia, U.S., most of Europe. Telex automatic keying to over 130 destinations 1979. Telefax introduced 1978 (eg. to U.S., Australia, Switzerland). International telephone, telex generally available at good hotels.

TELEPHONE NUMBERS
All emergency services (fire, police, ambulance) 999; International calls 104; Airport flight information (available 0800-2230) 5421234; Directory inquiries 103

BANKING HOURS
1000-1500 (exceptions: Sat. 0930-1130, Sun. closed).

GOVERNMENT AND BUSINESS HOURS
0900-1300, 1400-1700 (exceptions: Sat. 0800/0900-1200/1300; Sun. closed).

DEVELOPMENT AGENCIES
Economic Development Board 9th Floor, World Trade Centre, Maritime Square, Telok Blangah Road.
Ministry of National Development, National Development Bldgs., Maxwell Road 0106.

BUSINESS ADDRESSES
Singapore International Chamber of Commerce, Denmark House (tel: 981255; telex: 25235). (Isues information on imports.)
Singapore Federatioo of Chambers of Commerce and Industry, Room 201, 2nd Floor, Chinese Chamber of Commerce Bldg., Hill Street.
Singapore Manufacturers' Association, Suite 118, World Trade Centre, Maritime Square, Telok Blangah Road (tel: 363444).
Dept. of Trade, Suite 201, 2nd Floor, World Trade Centre, Telok Blangah Road.
Customs and Excise Dept., Customs House, Maxwell Road.

Business Guide information from: World of Information, 21 Gold Street, Saffron Walden, Essex. Tel: 0799 21150. Telex: 817197.

Lack of fun for your money

Leisure

THE AVERAGE tourist—who stays a mere 3.6 days in Singapore—can find plenty to do to fill his time, even though this tiny city state is hardly a leisure hot-spot.

For the businessman staying longer, however, it is a different story. As even some locals say: "Got money. Cannot huy fun."

The truth is that, in Singapore, work is serious business. Employees rontinely do a 44-hour, 5½-day week, so they must squeeze what leisure they can out of a half-day on Saturday and on Sunday.

If you need a break and your local colleagues are members of a country club, do not miss an opportunity to use its facilities. Locals play hard too, and while you may may be content to join people jogging along the busy streets, a quiet round of golf or a leap about the tennis court promises to be more congenial. Yoo will also meet some interesting people.

If you must go shopping—for Singaporeans it's an obsession—you ought to be prepared for generally disappointing serviee, a tedious bargaining sessiou to discover prices, and for a long march in search of the best huy.

If you know in advance what you want and who stocks it, however, shopping is a treat. You ean phone and have your purchase delivered. Check prices at home before coming.

Singaporeans also lovo to eat out, and you'll soon see why. Local hawker stalls offer food which is cheap, clean and well cooked. Try everything, especially what you can't recognise. Don't expect the trappings, food is served on plastic plates and in chipped stoneware bowls. Pay in cash.

If you prefer to eat expensively, Singapore is just the place, especially if you like wine, on which taxes are high. All Chinese styles of cooking are available, and some exotic dishes (including civet cat). Along with other Asian styles (Japanese to Indian), you can eat West European (Scottish to Italian), American and Mexican. Fast food is hig here; it fits in with Singaporean efficiency.

Tame

Cultural diversions are disappointing by the standards of a large city. Films are heavily censored, theatre is mostly amateur (professional shows on tour are prohibitive), and concerts are rare. Yet an annual arts festival attracts good crowds, and the New Philharmonie was a sell-out for an open-air performance. The orchestra's sponsors lost money because of high duties.

The alternative is to make your own music. Singapore is a record pirate's paradise, and the latest audio-cassettes are available in stereo from US$1 upwards until the copyright law is established. Otherwise you ean tune in almost round-the-clock to the BBC World Service, on local FM radio. Local television will not keep you in, or up.

Unfortunately, nights are quite tame in Singapore. If you must go to Bugis Street, a famous haunt, it's best to go late at night. Chinese nightclubs or "lounges" are quite an experience: good samples are the Golden Million Theatre nightclub and the Car Park Cabaret. Locals suggest you should take a bodyguard.

Live music is available at many places, mostly hotels but also Hujong's Rainbow Theatre Lounge and the Peppermint Park. A popular jazz spot is the Bistro Toulouse-Lautrec, which also serves late-night suppers.

Should you decide on a day off to do "the tourist bit," you shouldn't miss the zoo or bird park, Chinatown or Little India. And of course Raffles Hotel—now dwarfed by the vast Raffles City complex which houses the tallest hotel in the world (70 storeys). Have a Singapore Sling.

For something offbeat, however, take the trouble to locate the Tanjung Irau kampong, perhaps the last Malay fishing village of its kind, located on the north-east side of the island opposite the jungle mainland of Malaysia. It is a magical contrast to Orchard Road, which is the tourist hub.

For a taste of grassroots Singapore, try a visit to one of the numerous housing estates where 70 to 80 per cent of the country's population live in high-rise apartments. These "filing cabinets in the sky" are as close to the real Singapore as you can get.

The alternative to all this is to do something the Singaporeans do: get out. Malaysia's beaches are a stone's throw away. Indonesia is a short hop and the whole region is easily accessible by air.

But remember, most places have the same things in common: they are hot, humid and expensive.

Copper groups face hard times, Page 34

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday December 12 1984

WALL STREET

Forward movement falters

ENCOURAGED by predictions of a sharp fall in U.S. money supply and by signs that oil prices might decline again, Wall Street financial markets tried to move forward but faltered as the bond market ran out of steam by midsession, *writes Terry Byland in New York.*

The blue chip stocks made further attempts to advance during the session, but could make only fitful progress, while the broader range of the stock market showed little change.

An upturn in the final half hour left the Dow Jones industrial average with a net gain on the day of 6.07 points at 1,176.33. Turnover was moderate, with 80.9m sbares traded.

A feature of late trading was a gain of $¼ to $35½ in Union Carbide, the first sign of recovery in the chemical group's stock since first news of the Bhopal disaster reached New York. Selling of Union Carbide stock has wiped 27 per cent off the company's stock market capitalisation since the tragedy at the Indian plant.

The prediction by a leading capital markets service that tomorrow's M-1 statistics will show a fall of around $2bn suggested a return to the downward trend in money supply which would strengthen chances of an easing in Federal Reserve credit policies.

Federal funds traded comfortably at 8⅝ per cent for most of yesterday's session. The Fed provided only modest belp to liquidity, however, by purchasing $450m bills on customer account.

Norway's supsension of its pricing system, with the attempts by Britisb National Oil Corporation (BNOC) to reshape pricing mechanisms, boosted bonds at first. The likelihood of further deflationary pressures from the oil industry weakened, however, after BNOC denied reports of discount pricing.

The initial recovery in the stock market again featured blue chips. Turnover remained moderate and many secondline issues were trading bardly cbanged. Most analysts ascribed the improvement to technical considerations, pointing out that the market had become oversold as the Dow average dipped through the 1,170 range.

The short-term outlook for the U.S. economy continued to unsettle investors. The latest straw in the wind was a report from San Francisco, a generally prosperous, consumer-oriented city, of weak Christmas sales. The New York stores have yet to comment on December sales progress which will provide a significant pointer to economic well-being in the U.S.

Among department store stocks J. C. Penney, which bas underperformed in the stock market since the end of last month, lost a further $⅝ to $48⅛. K mart, the leading discounter, lost $¼ to $34⅞. But food retailers improved.

Industrial blue chips benefited from renewed support for IBM, which rose $1¼ to $119⅞.

Prominent in the actives was AT & T, which eased $⅛ to $18½ after a block of 1.3m shares traded at that price.

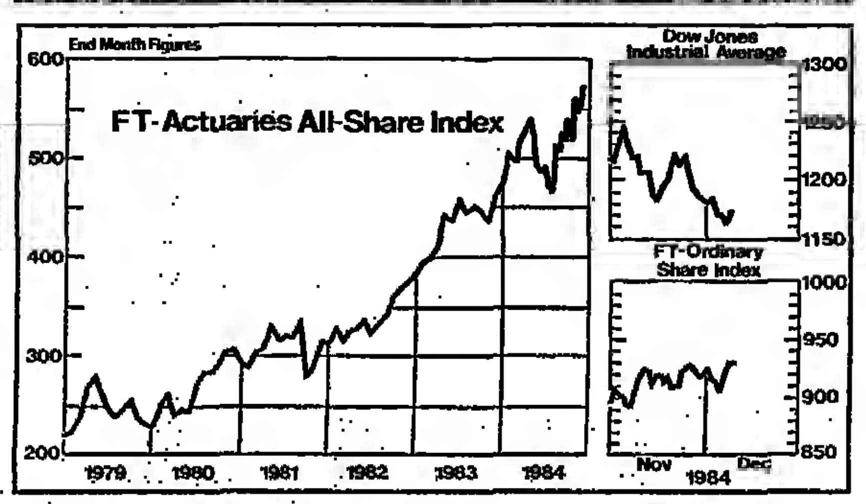
Uncertainty over bid prospects at Phillips Petroleum, now that Mr Boone Pickens bas delayed his tender offer and the Phillips board bas taken to the courts, took $2¼ off the Phillips stock price to $50⅝, against Mr Pickens' $60 terms. More than 1m Phillips shares traded.

Other oil stocks sbaded lower amid the confused outlook for spot prices. Exxon at $44⅛ shed $⅝, and Atlantic Richfield at $45 was $¼ off. Motor stocks firmed but airlines, the other typical beneficiaries of lower fuel prices, sbaded lower.

In the credit market sbort-term rates edged lower behind the federal funds rate but the mood remained cautious. Longer-dated certificates of deposit continued to slide with tbe June dates down by 12 basis points.

Early gains in the bond market ranged to half a point but these were reduced to around one quarter at midsession. Retail interest was still thin and traders were awaiting the data on retail sales and money supply due tomorrow.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Dec 11	Previous	Year ago
DJ Industrials	1,176.33	1,172.26	1,260.06
DJ Transport	526.24	525.58	504.91
DJ Utilities	144.54	144.54	133.91
S&P Composite	163.07	162.83	165.08
LONDON			
FT Ord	930.1	930.3	–
FT-SE 100	1,196.6	1,197.9	996.0
FT-A All-share	574.96	572.94	463.5
FT-A 500	630.62	628.79	494.55
FT Gold mines	529.8	532.3	584.3
FT-A Long gilt	10.11	10.09	10.30
TOKYO			
Nikkei-Dow	11,250.83	11,316.87	9,448.9
Tokyo SE	869.21	874.90	698.74
AUSTRALIA			
All Ord.	723.7	724.2	735.8
Metals & Mins.	417.4	419.6	528.3
AUSTRIA			
Credit Aktien	58.78	58.69	54.2
BELGIUM			
Belgian SE	158.42	159.32	130.94
CANADA			
Toronto			
Metals & Minls	1,872.5*	1,856.5	2,475.0
Composite	2,352.0*	2,347.1	2,531.9
Montreal			
Portfolio	117.18*	116.59	124.67
DENMARK			
Copenhagen SE	167.41	167.31	193.79
FRANCE			
CAC Gen	181.0	n/a	150.6
Ind. Tendance	120.1	119.5	98.7
WEST GERMANY			
FAZ-Aktien	375.79	372.62	343.24
Commerzbank	1,088.0	1,087.0	1,014.3
HONG KONG			
Hang Seng	1,118.38	1,115.01	858.39
ITALY			
Banca Comm.	213.84	214.66	186.46
NETHERLANDS			
ANP-CBS Gen	178.3	178.1	147.9
ANP-CBS Ind	141.0	140.8	121.2
NORWAY			
Oslo SE	283.72	281.63	209.93
SINGAPORE			
Straits Times	817.56	821.63	988.99
SOUTH AFRICA			
Golds	997.3	n/a	841.7
Industrials	952.3	n/a	922.3
SPAIN			
Madrid SE	137.38	136.99	122.5
SWEDEN			
J & P	1,374.81	1,386.83	1,520.99
SWITZERLAND			
Swiss Bank Ind	385.4	386.0	371.0
WORLD	Dec 10	Prev.	Year ago
Capital Int'l	183.5	183.4	180.7

GOLD (per ounce)

	Dec 11	Prev
London	$326.75	$326.75
Zürich	$326.55	$326.75
Paris (fixing)	$326.43	$326.48
Luxembourg	$326.50	$326.40
New York (Feb)	$329.30	$329.40

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Dec 11	Previous	STERLING Dec 11	Previous
$	–	–	1.1985	1.203
DM	3.087	3.092	3.70	3.72
Yen	246.9	246.75	296.0	297.0
FFr	9.465	9.4725	11.3225	11.39
SwFr	2.551	2.5525	3.0575	3.07
Guilder	3.485	3.491	4.1725	4.195
Lira	1,902.0	1,904.0	2,273.5	2,284.0
BFr	62.05	62.15	74.4	74.7
C$	1.31865	1.32225	1.58175	1.59

INTEREST RATES

	Dec 11	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9 13/16
SwFr	5⅛	5¼
DM	5 9/16	5 9/16
FFr	10 1/16	10 1/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⅜	9 7/16
6-month U.S.$	9 9/16	9 11/16
U.S. Fed Funds	8⅝*	8¾
U.S. 3-month CDs	9.00	8.90
U.S. 3-month T-bills	8.36	8.35

U.S. BONDS

Treasury	Dec 11* Price	Yield	Prev Price	Yield
10⅜ 1988	99 [illegible]	10.39	99 [illegible]	10.44
12⅜ 1991	103 [illegible]	11.53	103 [illegible]	11.58
11⅝ 1994	100 [illegible]	11.59	99 [illegible]	11.64
11¾ 2014	101 [illegible]	11.60	100 [illegible]	11.65
Corporate	Dec 11* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	95⅞	11.45	95⅝	11.45
3⅞ July 1990	73⅞	10.25	73⅞	10.20
8¾ May 2000	76⅞	12.18	76⅝	12.10
Xerox				
10⅞ March 1993	93⅝	11.70	93⅝	11.90
Diamond Shamrock				
10⅞ May 1993	93	11.95	92⅞	12.10
Federated Dept Stores				
10⅞ May 2013	87⅞	12.15	89⅞	11.90
Abbot Lab				
11.80 Feb 2013	96	12.30	97⅞	12.20
Alcoa				
12⅞ Dec 2012	98	12.50	99	12.40

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	71–01	71–11	70–28	70–21
U.S. Treasury Bills (IMM) $1m points of 100%				
Mar	91.31	91.37	91.28	91.26
Certificates of Deposit (IMM) $1m points of 100%				
Mar	90.49	90.54	90.45	90.44
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	90.13	90.16	90.05	89.98
20-year Notional Gilt £50,000 32nds of 100%				
Mar	108–11	109–18	108–11	109–05

COMMODITIES

(London)	Dec 11	Prev
Silver (spot fixing)	568.00p	568.95p
Copper (cash)	£1,108.50	£1,102.50
Coffee (Jan)	£2,215.00	£2,195.00
Oil (spot Arabian Light)	$27.60	$27.70

LONDON

Money data make for a reversal

THE WORST set of UK money supply statistics for more than four years transformed a previously confident London stock market late yesterday afternoon.

Before to the 2.30pm announcement, leading equities bad moved to fresb all-time peaks and even recently overlooked government securities had revived. Moments after the news, gilt-edged stocks were lower on balance and leading shares were backtracking in sympathy.

Analysts had predicted a sharp increase in November money growth owing to the huge subscription for Britisb Telecom, but the rise exceeded all estimates.

Earlier gains extending to ⅛ among longer-dated gilts were wiped out and selected longer maturities closed a net ½ down. Index-linked gilts had their rises pared to minimal amounts.

Telecom again consumed equity market interest. Througbout the session brokers reported a stream of selling orders from investors in receipt of allotment letters for the first time. The sales were eagerly mopped up by institutional investors. BT rose to a peak of 98p before settling a penny up on balance at 96½p.

The FT Ordinary index, 4.3 higher at 2pm, closed 0.2 easier at 930.1.

Chief price changes, Page 26; Details, Page 29; Share information service, Pages 30–31

AUSTRALIA

SELLING PRESSURE persisted but failed to make a significant impact during Sydney trading. Although falls beld a clear advantage over rises, price movements were marginal.

Gold stocks were again the focus of most attention after a further weakness in the international bullion price. Gold Mines of Kalgoorlie fell 18 cents to A$5.74 and Renison 15 cents to A$2.50.

Of the industrials, ICI Australia firmed 6 cents to A$2.05 on improved annual results and James Hardie added 5 cents to A$3.04. Banks were mixed, and National Australia standing out with a 10 cents rise to A$3.45.

HONG KONG

AN EVAPORATION of overseas buying failed significantly to damage Hong Kong share values. No selling pressure developed and a thinly-traded session was left with a mixed finish.

Hutchison Whampoa surrendered Monday's 10-cent gain at HK$18.10 ahead of a statement planned on a property development. Cheung Kong picked up 15 cents to HK$8.90 but SHK Properties at HK$7.30 lost the same amount.

Elsewhere, Hang Seng Bank sbed 50 cents to HK$40.75 while TV-B continued 6 cents lower at HK$4.62.

SOUTH AFRICA

A RECOVERY by Johannesburg golds from losses earlier in the session left a mixed finish, which sbowed Randfontein off R2.50 to R194 but President Brand R2 ahead at R57.

Gold Fields of SA held at R23 as it announced dividends for group mines. Amgold shed R3 to R163, while away from the gold boards De Beers edged 2 cents higher to R8.17.

Rembrandt tobacco group lost 25 cents to R15.75 but retailer OK Bazaars added the same amount to R15.75.

CANADA

A NARROW trading range was established in Toronto, with little immediate impetus for a substantial shift in either direction. Golds traded nervously, and weakness was evident among forestry issues.

A firm undertone was maintained in Montreal.

EUROPE

Technical pressures prevail

TECHNICAL pressures combined with isolated features – notably among financials, chemicals and foods – to leave European bourse trading mixed yesterday.

Allianz dominated a subdued Frankfurt that nudged the Commerzbank 1 point higber to 1,088. The insurer's rights and restructuring moves were met with a DM 20 drop to DM 1,020 while Bayerische Vereinsbank continued weaker by DM 1 to DM 325 after a disappninting profits performance.

Commerzbank turned DM 2.30 weaker to DM 167.70 on the passing of a dividend by Banco Hispano Americano, in which it bolds a 10 per cent stake.

Veba's major investment plans for the next five years still failed to impress, and it moved 10 pfg lower to DM 168.80.

Preussag, forecasting a 1984 dividend of at least an unchanged DM 8, rose DM 2.50 to DM 253.50 while Lufthansa's cargo investment plans arrived after trading whicb took the airline DM 1.40 higber to DM 179.90.

A favourable forecast from MAN took the engineer 20 pfg up to DM 145.20.

Bonds lacked excitement amid sales of DM 34m in paper by the Bundesbank against purchases of DM 89.5m on Monday.

Profit-taking hit Zurich bank and chemical sbares, with Union Bank SwFr 20 cheaper at SwFr 3,580 and Sandoz SwFr 150 lower at SwFr 7,000.

New higbs were recorded yet again in the food and insurance sectors as Nestlé added SwFr 35 to SwFr 5,440 in active trading while Swiss Re surged SwFr 190 to SwFr 6,250

Internationals featured a firmer Amsterdam while banks lost some ground. The ANP-CBS index edged 0.2 higber to 178.3. Sentiment was largely influenced by the overnight Wall Street gains again.

KLM gained Fl 1.10 to Fl 43.10 ex scrip while Royal Dutcb managed a 70-cent rise to Fl 173. Unilever, bowever, moved against the trend with its 80-cent fall to Fl 302.

Domestic bonds remained largely at overnight levels.

The softening of domestic money market rates fuelled a broad improvement in Paris, with Carrefour, FFr 58 up to FFr 1,774, leading a somewhat stronger retail sector althougb sustained interest in food and drink issues was translated into a FFr 5 rise to FFr 1,825 for Moët-Hennessy and a FFr 4 advance to FFr 749 for Pernod.

Thomson-CSF proved a feature with its FFr 12 advance to FFr 387 as CIT-Alcatel moved FFr 10 ahead to FFr 1,280.

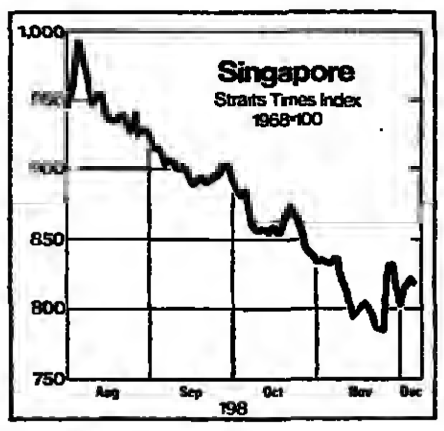
Peugeot improved FFr 6 to FFr 241.10 ahead of industry sales figures that showed a setback in new car registrations for the first 11 months of the year.

Light Brussels trading showed mainly small price movements, whereas a technical downturn emerged in Milan as Fiat surrendered L10 of its recent gains to Lt,909 and Montedison fell L27 to L1,315.

Bastogi-IRBS, the troubled holding company, slipped L5.50 to L135 prior to plans to dispose of its electronics unit Siel.

Heavy profit-taking tore away some of the recent advances in Stockholm, with Electrolux, a dominant feature, shedding SKr 2 to SKr 242 and Ericsson SKr 4 down to SKr 256 after its Malaysian venture plans.

Moderate rises were scored in Madrid, with cbemicals sougbt. Banco Hispano Americann recovered some of its recent sbarp losses with a three-point rise to 160 per cent of nominal value.



SINGAPORE

THE SHIFT towards profit-taking whicb started to make itself felt in Singapore on Monday spread more widely but gained no great pace. The Straits Times industrial index, whicb managed to end firmer on the previous session despite the downward pressures, relinquisbed 3.69 at 817.56.

Banks remained depressed by the possible consequences of the Chop Hoo Thye failure. DBS, among its creditors, sbed 10 cents to S$6 and OUB 15 cents to S$4.

Volume leader Faber Merlin lost 2 cents to S$1.37. It was followed in volume by General Lumber, off 9 cents at S$2.16, and Sime Darby, a cent easier at S$1.90. Plantation Issues lost Monday's strength, taking KL Kepong 3 cents lower at S$2.41.

TOKYO

Favourite speculative issues fade

A SLIDE in recent speculative favourites combined with a bearish tone among financial issues to trigger a market pull-back in Tokyo yesterday for the third day running, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average tumbled by 111 from the previous day at one point but regained some ground in late trading to close at 11,250.83, down 66.04. Turnover increased slightly to 294.46m shares from 254.94m.

Bargain-hunters and a modest overnight rally on Wall Street brought early gains, particularly among vehicle parts manufacturers, in light trading. Investor disappointment about the slow tempo of the market recovery, with a plunge in pharmaceuticals, sent prices lower across the board towards midsession, however.

Pharmaceuticals staged a strong comeback in late trading. Mochida Pbarmaceutical suffered a maximum allowable daily loss of Y500 to Y6,670 at one stage but finisbed Y270 higber at Y9,640.

In sympathy, other drug makers rebounded rapidly, with Yamanouchi Pharmaceutical improving Y120 to Y1,850 and Dainippon Pharmaceutical Y110 to 4,590. Kaken Pbarmaceutical scored a limit rise of Y400 to Y3,300.

Conversely, financial stocks remained weak. Sumitomo Bank shed Y20 to Y1,610 and Juji Bank Y30 to Y1,210. Securities companies and non-life insurance houses also eased, with Nomura Securities dropping Y24 to Y841.

Japan Storage Battery topped the list of active stocks with 13.31m shares changing bands, due to interest in the rapid sales growth of its new products including a battery-powered oxygen sensor and an ultraviolet system. The stock put on Y43 to Y400.

Investor bopes for a year-end upsurge began to fade, but Nikko Securities and other major brokerage bouses remained bullish, saying more bargain-hunters are expected in the market.

The bond market eased on a lack of fresh incentives. Althougb small-lot dealings by city and trust banks occurred on the over-the-counter market, institutional investors and securities bouses kept a low profile. The yield on the benchmark 7.3 per cent government bond due in December 1993 rose to 6.615 per cent from 6.595 per cent.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	13¼	AAR	.48	2.7	16	42	17⅝	17⅛	17¾	−⅛
30½	9⅛	AGS			8	22	10½	10⅛	10¼	−¼
17⅞	13⅛	AMF	.50	3.3	83	251	15	14⅞	14⅞	
41¼	24⅛	AMR			5	7553	34	33½	33½	−⅛
20⅜	18¼	AMR	pf2.19	12		19	18⅝	18⅜	18¼	
41½	27½	AMR	pf2.13	6.1		357	35	34½	34⅝	
25¼	22⅞	ANR	pf2.67	11.		29	23¼	23¼	23¼	
23	19	ANR	pf2.12	11		2	19½	19½	19½	−½
15⅛	8⅞	APL			3	6	10	9⅞	9⅞	
71⅞	40¼	ARA	2.16	2.9	14	339	71½	71¼	71¼	
69¼	44⅛	ASA	3	5.9		629	51⅛	50	50⅝	−⅜
30⅝	16½	AVX	.32	1.8	11	68	18⅛	17½	17⅞	−⅛
48¼	36¼	AbtLab	1.20	3.0	12	2272	39¼	39⅛	39½	+½
23⅝	16½	AccoWd	s.44	2.1	18	94	21¼	20⅝	21¼	−½
27¼	12½	AcmeC	.40	2.9		346	13⅞	13⅜	13¾	−⅛
12⅞	8¼	AcmeE	.32b	3.6	12	19	9	8⅞	8⅞	−½
18¼	15	AdaEx	2.11e	13		113	16⅛	16¼	16½	
18⅝	11⅛	AdmMl	.32	2.3	7	11	13⅝	13⅝	13⅝	−¼
21½	10⅝	AdvSys	.611	6.5	9	405	10⅝	9¾	9½	−1½
41⅛	25½	AMD			12	4157	27¼	26¼	26⅝	−½
14⅛	6⅞	Advest	.12	1.6		67	7⅞	7⅞	7½	−¼
16¼	8⅞	Aeroflex			10	57	10½	10⅛	10⅜	−½
38	27¼	AetnLf	2.64	7.4	30	2240	36	35⅛	35⅞	−⅛
58¼	52½	AetL	pf5.87e	11		22	54	53⅝	53⅝	−½
34½	15¼	Ahmns	1.20	4.9	11	1415	25⅛	24½	24⅝	−1½
5⅛	2⅞	Aileen				89	3	2⅞	2⅞	
48⅛	36½	AirPrd	1.20	2.5	10	1962	46½	45⅜	46½	−⅛
30½	13	AirbFrt	.60	3.2	10	44	18½	18⅛	18⅝	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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L-L-L [illegible]

M-M-M [illegible]

N-N-N [illegible]

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Continued on Page 25

هكذا من الأصل

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 26

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

X-Y-Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52⅛	33¾	Xerox	3	8.1	11	2116	37½	36¼	37½	+ ½
50½	45¼	Xerox	pf5.45	11		16	48⅛	48⅛	48⅛	− ⅛
36¼	19	XTRA		2.1	8	424	21	20⅝	20⅝	− ⅜
31⅜	24	ZaleCp	1.32	4.7	9	19	28⅛	28	28	− ⅛
24⅞	15¾	Zapata	.84	5.1	13	161	16⅜	16⅛	16⅜	+ ⅛
49	28⅜	Zayre	.40b	.9	15	1235	44⅞	44½	44½	+ ½
38⅝	20	ZenithE				910	21⅜	21	21⅛	− ⅛
27⅜	18	Zero	.40	1.9	16	105	21¼	21	21	− ¼
30½	21⅛	Zurn	1.32	5.0	11	39	26⅜	26¼	26⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Dec. 11	Price Schs	+ or −
Creditanstalt	226	−2
Goesser	330	.....
Interunfall	396	.....
Laenderbank	226	.....
Perlmooser	359	+1
Steyr-Daimler	162	−1
Veitscher Mag.	244	−2

BELGIUM/LUXEMBOURG

Dec. 11	Price Frs.	+ or −
B.B.L.	1,845	−5
Banq. Int. A. Lux	5,500	.....
Bekaert B	4,390	.....
Ciment CBR	2,495	−5
Cockerill	277	−3
Delhaize	6,600	−90
EBES	2,865	−20
Electrobel	8,590	−20
Fabrique Nat	2,095	.....
GB Inno BM	3,110	−65
GBL (Brux)	2,140	.....
Gevaert	3,500	−50
Hoboken	6,050	−50
Intercom	2,180	−10
Kredietbank	7,500	.....
Pan Hldgs.	2,900	+100
Petrofina	7,130	+30
Royale Belge	10,500	.....
Soc. Gen. Banq.	3,390	+10
Soc. Gen. Belge	1,830	−15
Sofina	7,700	+10
Solvay	4,190	−10
Stanwick Intl.	1,450	.....
Tractional	3,920	−25
UCB	4,970	−20
Wagon Lits	2,500	.....

DENMARK

Dec. 11	Price Kr. %	+ or −
Andelsbanken	280	+1
Baltic Skand	555	.....
CopHandelsbank	281	+1
D. Sukkerfab.	505	.....
Danske Bank	281	+1
De Danske Luft.	1,055	.....
East Asiatic	163	+1
Forenede Brygg.	760	+5
Forenede Damp.	100	.....
GNT Hldg.	384	+4
I.S.S.B.	400	+1
Jyske Bank	505	.....
Novo Ind.	1,355	−15
Privatbanken	246	.....
Provinsbanken	348	.....
Smidth (F)	226	.....
Sophus Berend	915	+10
Superfos	422	−1

FRANCE

Dec. 11	Price Frs.	+ or −
Emprunt 4½% 1973	1,640	−5
Emprunt 7% 1973	8,720	+1
Accor	240	+0.2
Air Liquide	556	−3
BIC	500	+5
Bongrain	1,745	−40
Bouygues	671	−9
BSN Gervais	2,495	+11
CIT-Alcatel	1,280	+10
Carrefour	1,774	+58
Club Mediter'n.	1,028	−8
Cie Bancaire	559	−11
Cofimeg	239	−1.5
Damart	8,320	+10
Darty	1,150	−10
Dumez S.A.	624	+4
Eaux (Cie Gen)	635	.....
Elf-Aquitaine	223	−2
Essilor	2,260	+5
Gen. Occidentale	645	+2
Imetal	71.5	−0.8
Lafarge Coppee	365.8	+1.5
L'Oreal	2,310	+6
Legrand	1,985	+4
Maisons Phenix	190	−5
Matra S.A.	1,740	+8
Michelin B	765	−6
Midi (Cie)	1,980	−19
Moet-Hennessy	1,825	+5
Moulinex	91.95	−0.05
Nord Est.	69.6	+1.1
Pernod Ricard	749	+4
Perrier	497	.....
Petroles Fra.	246.4	+0.4
Peugeot S.A.	241.1	+6
Printemp.Aus.	129	+4.8
Radiotech	219.5	.....
Redoute	1,195	.....
Roussel-Uclaf	1,604	+4
Selimeg	287	.....
SkisRossignol	1,735	.....
Telemech Elect.	2,165	+15
Thomson CSF	387	+12
Valeo	260.5	+1.4

GERMANY

Dec. 11	Price Dm.	+ or −
AEG-Telef.	102.2	+0.5
Allianz Vers.	1,020	−20
BASF	177.8	+0.9
Bayer	126.3	.....
Bayer-Hypo	318	−1
Bayer-Verein	325	−1
BHF-Bank	270	−2
BMW	372	.....
Brown Boveri	200.2	−0.2
Commerzbank	167.7	−2.3
Cont'l. Gummi	113	.....
Daimler-Benz	578.7	+4.2
Degussa	348	−2
D'sche Babcock	145	−1.5
Deutsche Bank	379	−1.5
Dresdner Bank	187.1	−0.9
GHH	153	−0.5
Hochtief	475	+1
Hoechst	186	−0.5
Hoesch Werke	98.4	−0.4
Holzmann (P)	376.5	−0.5
Horten	181.5	+1.5
Hussel	289.5	+2
Karstadt	248	+3
Kaufhof	231	+0.8
KHD	259.5	−1.5
Kloeckner	68.6	+0.1
Linde	383	−2
Lufthansa	179.9	−1.4
MAN	145.2	+0.2
Mannesmann	145.5	+2
Mercedes Hld.	613.5	−0.5
Metallgesell	217	−1
Munech Rueck	1100	−32
NixDorf	513	−3.8
Porsche	980	+5
Preussag	253.5	+2.50
Rhein West Elect	164	+0.2
Rosenthal	248	.....
Schering	424.5	−2.4
Siemens	451.8	+1.3
Thyssen	78	.....
Varta	173.8	+1.8
Veba	168.2	−0.1
V.E.W.	122.3	+0.8
Verein-West.	292	−2
Volkswagen	198	+0.5

ITALY

Dec. 11	Price Lira	+ or −
Banca Com'le.	14,690	−110
Bastogi-IRBS	130	−5.5
Centrale	2,075	−46
Credito Varesino	3,600	+89
Fiat	1,909	−10
Finsider	45.75	.....
Generali Assicur.	30,260	−340
Invest	2,920	−30
Italcementi	63,650	−360
La Rinascente	497	−8
Montedison	1,315	+27
Olivetti	6,840	−110
Pirelli Co.	3,310	−20
Pirelli Spa	1,788	+18
Snia BPD	2,031	−10
Toro Assic.	11,720	−56
Do. Pref.	8,575	−120

NETHERLANDS

Dec. 11	Price Fls	+ or −
ACF Holding	186	−2.5
AEGON	132	+0.7
Ahold	178.5	−0.3
AKZO	94	+0.8
ABN	340.5	−1
AMEV	128.2	−0.9
AMRO	62.7	−0.5
Bredero Cert.	157.5	+1
Bos Kalis Westm.	16	.....
Buehrmann-Tet.	68.2	.....
Calland Hldgs.	30.8	+0.3
Dordtsche Pet'm	157.4	+1.3
Elsevier-NDU	116	+2.5
Fokker	78.2	−0.8
Gist Brocades	162.5	+1
Heineken	141.5	+1
Hoogovens	62	+0.2
Int Mueller	35.7	+0.4
KLM	43.1xe	+1.1
Naarden	46	.....
Nat Ned Cert	242.5	−0.5
Ned Mid Bank	141	−0.5
Nedlloyd	161.5	+1.6
Oce Grinten	277	+1.2
Ommeren (Van)	27.1	+0.1
Pakhoed	64.7	.....
Philips	53.2	+0.6
Robeco	67.8	.....
Rodamco	135.9	.....
Rolinco	61.8	+0.1
Rorento	43.1	.....
Royal Dutch	173	+0.7
Unilever	302	−0.2
VMF Stork	135	.....
VNU	198.5	−2.2
West Utr Bank	115	−2

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

OVER-THE-COUNTER Nasdaq national market, closing prices

[illegible]

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Alphameric	118	+6
Barlow Hldgs.	105	+17
British Home	206	+8
Burmah Oil	217	+5
Carlton Comm.	825	+60
Churchbury	740	+20
Comfort Hotels	86	+15
Dunhill	272	+20
Eurotherm	285	+15
Extel	280	+7
Hambro Life	470	+13
Hambros	158	+6
Imp Cont Gas	318	+8
Leeds Group	120	+15
McCorquodale	155	+18
Majedie Invs.	115	+19
Phillips Patents	54	+10
Reed Int'l	512	+8
Trafalgar Hse.	319	+7

FALLS

Tr. 13pc 1990	£107	−£¾
Britoil	207	−8
French Ct.	355	−10
McCarthy & St	205	−15
Oliver Prosp	150	−25

Continued on Page 27

CANADA

TORONTO
Closing prices December 11

[illegible]

MONTREAL
Closing prices December 11

[illegible]

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 25

[illegible]

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

TORONTO

[illegible]

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 26

Stock	Sales (Hnds)	High	Low	Last	Chng
Jonicbl	1	115	[illegible]	[illegible]	[illegible]
Jonel A	1	50	[illegible]	[illegible]	[illegible]
Josphsn	.50	157	[illegible]	[illegible]	[illegible]
Juno		131	21½	21	21
Justin s	.20t	3	14½	14¼	14¼
K–K					
KLA		255	24	23¾	24
KV Phr		51	5¼	5	5¼
Kaman	.56	43	22¾	22½	22¾
Karchr		108	15⅝	15⅛	15⅝
Kasler	.60t	138	11¼	11¼	11¼
Kaydon		40	7	6¾	7
MonAnt		21	8¼	6¼	8¼
Monolit		1269	14¼	13¾	13½
MonuC	1.30	146	28½	25¾	28½
MorFlo	.01	10	15½	15½	15½
MorKg	.12e	185	10¼	10	10
Morran	.48	300	17¾	17½	17¾
Moseley		684	5	4¾	4¾
MotClb	.20	19	13¾	12¾	12¾
Multmd	.60	221	34¾	34¼	34¼
Mylan s		734	23¾	22¾	23
N–N					
NCA Cp		60	6½	6	6¼
PoFolk		35	10¼	10	10¼
PiccyMg		206	24¼	24¼	24⅝
Porex		47	24¼	23¾	23¾
PostSt		23	7¼	7¼	7¼
Servico	1	5	17¼	17¼	17¼
SvcFrct		4	5⅞	5¼	5¼
SevOak	.16	15	13¼	13	13
ShrMed	.40	754	24¼	24¼	24¼
Shwmt s		38	29¾	29⅝	29⅝

FT COMMERCIAL LAW REPORTS

Damage to steel coil cargo cannot be recovered by risk-bearing non-owner

LEIGH AND SILLIVAN LTD v ALIAKMON SHIPPING CO LTD

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Oliver and Lord Justice Robert Goff): December 7 1984

WHERE a c & f seller retains the right to dispose of cargo so that the property does not pass to the buyer until payment, any right under the bill of lading to sue the shipowners for damage to goods in transit remains with the seller, notwithstanding that the bill of lading has been endorsed and is held by the buyer. Also, though in some circumstances the buyer may have a right to sue in tort for economic loss resulting from the damage, he has no such right where the shipowners' liability would thereby be rendered greater than his contractual liability under the bill of lading contract.

The Court of Appeal so held when allowing an appeal by shipowners, Aliakmon Shipping Co Ltd, from Mr Justice Staughton's decision that buyers of cargo, Leigh and Sillivan Ltd, were entitled to sue them for damage to the cargo which occurred on a voyage from Korea to Immingham.

SIR JOHN DONALDSON said that the issue in the appeal was whether it was the buyers or the sellers who were entitled to sue the shipowners.

Under a c & f contract of sale, steel coils were to be shipped from Korea to Immingham. The price was payable by a 180-day bill of exchange to be endorsed by the buyers' bank in exchange for a bill of lading. The shippers delivered the bill of lading to the sellers and the vessel sailed.

The buyers had intended to resell the steel before the bill of lading was tendered and before they had to produce the bill of exchange in payment of the price. Steel prices fell and they were unable to effect a sale. The bank considered there would be insufficient security if it backed the bill and it declined to do so.

The buyers and sellers, who were both substantial and respectable concerns, got together to resolve the problem. It was agreed that the sellers would not insist on endorsement of the bill of exchange by the bank. Both parties wished to convert the goods into money as soon as possible. The sellers would do their best to help the buyers re-sell the goods. They would be held "to the order of" or "at the disposal of" the sellers, whose approval would be obtained before they were sold.

The endorsed bill of lading was sent by the sellers to the buyers with a letter dated October 11, which stated that the goods were to be "at the disposal of the sellers" until further notice.

On a claim by the buyers against the shipowners for damage to the goods on the voyage, Mr Justice Staughton held that the property in them passed to the buyers on October 11, upon endorsement and delivery of the bill of lading.

Section 1 of the Bills of Lading Act 1855 provided that every endorsee of a bill of lading to whom the property in the goods passed "shall have transferred and vested in him all rights of suit." Accordingly, the judge held, the right of suit on the bill of lading was transferred and became vested in the buyers.

He must have overlooked the effect of section 19(1) of the Sale of Goods Act 1979 which provided that where there was a contract for sale of specific goods the seller might reserve the right of disposal until certain conditions were fulfilled; "and in such a case, notwithstanding the delivery of the goods to the buyer or to a carrier for the purpose of transmission to the buyer, the property in the goods does not pass to the buyer until the conditions imposed by the seller are fulfilled."

Section 19(1) precisely fitted the facts of the present case and, no notice having been given revoking the sellers' right of disposal, the property in the steel remained in the sellers, notwithstanding delivery of the bill of lading to the buyers.

It followed that section 1 of the Bills of Lading Act, the operation of which was conditional on the passing of property, did not operate to transfer to the buyers any right of suit under the bill of lading contract.

The buyers could not rely on any implied contract between them and the shipowners on the terms of the bill of lading. The only contract which could be implied was between the sellers and the shipowners. That was of no assistance to the buyers, as the judge rightly held.

That conclusion disposed of all contractual claims by the buyers against the shipowners; but it still left a claim in tort.

If there was any breach of tortious duty on the part of the shipowners, it took place when the steel was in their custody. At that time the buyers were neither owners, nor had they any right to possession other than as persons who held the bill of lading on behalf of the sellers.

Their only connection with the steel was that they had agreed to buy it on c & f terms, the sellers having reserved a right of disposal pending payment of the price.

Under such a contract the duty of a seller was to ship goods conforming with the contract, and to secure a contract of affreightment in customary terms. Provided that he did that, the buyer was bound to pay the price, irrespective of whether the goods had been lost or damaged in transit.

In the *Wear Breeze [1969] 1 QB 219* Mr Justice Roskill reviewed all the authorities and said that when parties to a contract for the sale of goods contemplated risk passing, they were contemplating that should the goods be lost or damaged, the buyer "must bear the resulting loss himself."

It was held in the *Irene's Success [1981] 2 Lloyd's Rep 635* and the *Nea Tyhi [1982] 1 Lloyd's Rep* that the law had been changed by *Anns v Merton [1978] AC 728, 751-2.*

Applying the two-stage test formulated by Lord Wilberforce in *Anns*, the first question was whether, as between the buyers and the shipowners, there was sufficient relationship of proximity, such that in the reasonable contemplation of the shipowners, carelessness on their part would be likely to cause damage to the buyers.

The answer was "yes," and accordingly *prima facie* the shipowners did owe the buyers a duty of care.

The second stage of the test was to ask whether there were any consideration which ought to negative or limit the scope of the duty or the class of person to whom it was owned.

Mr Sumption put forward the considerations *inter alia* that the existence of a duty of care owed to others than the owners of cargo would impose on a shipowner most of the liabilities which he would generally assume by contract by virtue of the Hague Rules, without the protection of the Rules; and he would be potentially exposed to liability to anyone who might suffer loss because the nature of his contractual arrangements prevented him from recovering from anyone other than the shipowner.

Those considerations were wholly compelling. The relationship between buyer and seller on one hand and cargo-owner and shipowner on the other, were quite distinct. In the present case the buyers claimed the right to impose on the shipowners a higher duty of care than the shipowners owed to the seller under the bill of lading contract.

The appeal should be allowed. The buyers had no right to sue the shipowners.

LORD JUSTICE ROBERT GOFF agreeing that the appeal should be allowed, said that the *Wear Breeze* was founded primarily on authority of some antiquity (*Coats (1842) 3 QB 483; Coombs (1858) 3 H & N 510; the Charlotte [1908] P 206; Simpson (1878) 2 App Cas 279*).

One effect of more recent authorities was there had been a gradual recognition of a right of recovery for purely economic loss in certain specific cases (*Greystoke Castle [1947] AC 265; Hedley Byrne [1964] AC 465; Ross [1980] Ch 297; Caltex (1976) 136 CLR 529; Junior Books [1983] AC 520, 539*).

There was no good reason in principle or policy why the c & f buyer should not have a direct cause of action against a shipowner in tort in such a case as the present. The *Wear Breeze* should now be regarded as *wrongly decided and overruled.*

The next question therefore was whether, on the facts of the case, the buyers had a good claim in tort against the shipowners.

Under the terms of a time charter between the shipowners and charterers, the charterers were responsible for stowage. The shipowners therefore owed no contractual duty of care. The negligent acts were caused by stevedores employed by the charterers. There had been no breach by the shipowners of their duty of care to the buyers.

LORD JUSTICE OLIVER, also agreeing that the appeal should be allowed, said that nothing in the cases on recovery of damages for "economic loss" since 1969 led to the conclusion that the principles in the *Wear Breeze* no longer represented the law. There seemed to be extremely good reasons for adhering to the principle established by the *Wear Breeze* and the cases which preceded it. Particularly compelling was the consideration that to impose on a shipowner a duty of care to others than the *owners* of cargo would deprive him of the protection of the Hague Rules.

The *Wear Breeze* still represented the policy of the law by reference to which the existence of a duty of care in negligence was to be judged in the present circumstances. The *Irene's Success* was wrongly decided on that point.

For the shipowners: Jonathan Sumption (Holman Fenwick & Willan).

For the buyers: Anthony Clarke QC and Nigel Teare (Anthony King & Co, Billericay).

By Rachel Davies
Barrister

LONDON STOCK EXCHANGE

MARKET REPORT

Steep rise in money supply hits Gilts and causes equity leaders to backtrack

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 26	Dec 6	Dec 7	Dec 17
Dec 10	Dec 20	Dec 21	Jan 7
Dec 24	Jan 10	Jan 11	Jan 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

The worst set of money supply statistics since July 1980, when corset controls were removed, transformed a very confident London stock market scene late in the afternoon yesterday. Prior to the 2.30 pm announcement, leading equities had moved to fresh all-time peaks and even recently-overlooked Government securities had revived. Moments after the news, Gilt-edged stocks were lower on balance and leading shares were backtracking in sympathy.

Analysts had predicted a sharp increase in November money growth owing to the huge subscription for British Telecom. But the steep rise of 2¾ per cent in sterling M3, which took the annual rate well outside the target range, exceeded all estimates. Market operators were bewildered and the gilt-edged sector came under immediate selling pressure.

Earlier gains extending to ½ among longer-dated stocks were wiped out and in many cases replaced by small losses. For a while, the tone was extremely sensitive but the volume of sales gradually lessened and a recovery was attempted. In the after-hours' trade, however, quotations began easing again and selected longer maturities closed a net ¼ down on the session. Index-linked Gilts were the only exceptions to the rule but even here rises were later pared to minimal amounts.

British Telecom again consumed equity market interest. Throughout the session, brokers reported a constant stream of selling orders from investors in receipt of allotment letters for the first time. The sales, usually of a few hundred shares, were eagerly mopped up by institutional investors whose demands were often too much for the market. Consequently, BT rose to a peak of 98p before settling a penny up on balance at 96½p.

Other leading industrials followed the advance with further selective demand often exacerbating stock shortages. The FT Ordinary shares index looked set to achieve another record but, on the money supply figures, values turned away from the highest. After standing 4.3 higher at 2.00 pm, the index closed 0.2 easier on the day at 930.1.

Hambro Life rise

Hambro Life stood out in Insurances, rising 13 to 470p on revived speculation that Charterhouse J. Rothschild had sold its near-25 per cent stake in the group; CJR put on 3 at 94p. Hambros gained 6 in sympathy to 158p. Elsewhere, Hogg Robinson hardened a couple of pence to 216p on further consideration of the interim results. C. E. Heath rose to 528p initially but closed only a penny firmer on balance at 519p. Among Composites, Royals moved up 5 to 525p and Commercial Union hardened 2 at 179p. Marsh and McLellan of the U.S. cheapened ¼ to £43; the group insures Union Carbide, the chemical concern involved in the Bhopal pesticide gas disaster.

Rex Williams Leisure made a satisfactory debut in the Unlisted Securities Market; the shares, placed at 20p, opened at 22p and touched 23½p prior to closing at 23p.

Breweries again lacked traditional Christmas support. Firmer opening indications failed to entice follow-through demand and most finished with modest falls. Exceptions were provided by Whitbread "A" which rose 7 to 204p, after 206p, although the rise was largely attributable to technical influences, and Arthur Guinness, a couple of pence to the good at 180p, after 182p. Business in regionals again left much to be desired. Wolverhampton and Dudley were marked a couple of pence lower at 258p following preliminary results at the lower end of market expectations.

Activity in the Building sector remained in low key, but the undertone was basically firm and the leading issues finished with small gains on balance. Redland hardened 3 to 276p and Tarmac 4 to 516p, while takeover favourite Rugby Portland Cement added a couple of pence at 129p. Among Timbers, Meyer International dipped to 114p on disappointment with the interim profits before rallying on the confident statement to close only a net penny cheaper at 120p. McCarthy and Stone fell 15 to 205p following the annual results and proposed rights issues in Convertible loan stock, but Berkeley Group firmed 3 to 146p despite lower half-year profits.

Wall Street's overnight rally, coupled with good results from the group's Australian subsidiary, helped ICI rise 6 to 674p. Among other Chemicals, Coalite attracted further demand in a restricted market and firmed 4 to 205p, while Yorkshire Chemicals touched 72p prior to closing a couple of pence higher on balance at 68p. Croda International Ordinary rose 5 to 121p and the "A" hardened 2 to 80p.

Stores up again

Leading Stores continued to respond to November's record retail sales figures and evidence that the pre-Christmas spending spree is well under way. British Home led the way with a rise of 8 at 266p, while Gussies "A" closed similarly dearer at 668p. Burton put on 5 at 386p, Habitat firmed 4 to 386p and Boots improved a couple of pence to 198p. Secondary issues were fairly buoyant. Body Shop rallied 20 to 390p and Dunhill gained the same amount to 272p. J. Hepworth rose 10 to 440p as did W. H. Smith "A" to 172p. Mail-order concerns, Freemans, 172p, and Grattans, 150p, advanced 8 apiece. Superdrug moved up 5 to 398p on expansion moves, but French Connection dropped 10 to 355p in reaction to adverse comment.

Electricals recorded several noteworthy improvements. Alphameric responded to good interim figures with a rise of 6 to 118p, while revived demand lifted Eurotherm 15 to 285p. FKI, reflecting recent comment, improved 4 to 41½ and Grosvenor gained 8 to 172p. United Leasing were a similar amount higher to 318p, but Thermal Scientific encountered profit-taking and eased 5 to 240p.

Leading Engineers finished the day with minor losses and the movements in secondary stocks usually resulted from trading statements. Parkfield Group closed 2 higher at 48p, after 50p, following the recovery in mid-term earnings and return to the interim dividend list. Wyndham, 77p, and Smith Whitworth, 41p, also reflecting half-year figures, both closed a shade firmer. Occasional support left Whessoe 4 to the good at 88p and Staveley a like amount dearer at 288p.

Leading Foods generally struggled to hold early gains, but Rowntree Mackintosh attracted fresh speculative buying on takeover hopes and closed 4 firmer at 378p, after 380p. Tate and Lyle hardened 3 to 445p awaiting today's annual results, while Unigate, half-timer due tomorrow, gained the turn to 159p. A couple of firm spots emerged in secondary issues. Meadow Farm Produce moved up 22 to 305p in a restricted market, while confectionery concern Barker and Dobson added ½ to 9½p.

Takeover developments enlivened the Hotels sector. Comfort jumped 15 to 86p, after 87p, following the surprise bid from Ladbroke, 8 down at 243p. Intasun, the original bidders for Comfort, firmed 4 to 112p, while Prince of Wales, the subject of an agreed bid from Comfort, were unchanged at 105p, after 103p. Mount Charlotte were a firm market at 74p, up 2, while Queens Moat Houses added the same amount to 59p.

Traf. House advance

Selective support was forthcoming for the miscellaneous industrial leaders. Trafalgar House, assisted by traded option interest, improved to 221p before settling 7 dearer on balance at 318p. Among the American favourites, Glaxo improved ¼ to a new peak for the year of £11. Reed International rose 8 to 512p and Hanson Trust edged up a couple of pence more to 294p, after 298p. Pilkington, however, turned dull in front of today's interim figures and gave up 15 at 305p. Elsewhere, Phillips Patents met with revived speculative demand and put on 10 to 54p. Extel rallied 7 to 260p after recent weakness, but Smith and Nephew, reflecting slight disappointment with the third-quarter figures, eased a couple of pence to 221p. Sears met with support and put on 3½ to 88p, while buyers also showed interest in Avon Rubber, 5 better at 218p, Pearson, 8 higher at 560p, and Turner and Newall, 4 up at 109p. Bath and Portland picked up 5 further to 273p following rejection of the bid from C.H. Beazer, while further consideration of the acquisition news and the interim results left Breegreen 4 dearer at 53p.

Carlton Communications jumped 60 to 625p in response to the excellent results and £13.2m rights issue, the latter to help finance the proposed acquisition of Abekas Video Systems of the U.S. McCorquodale advanced 16 to 155p following the better-than-expected annual figures, while Norton Opax firmed 9 to 142p on further consideration of the results and proposed 20 per cent scrip-issue. Among Newspapers, Fleet Holdings reflected revived speculative support with a rise of 7 at 198p.

Secondary issues provided the noteworthy movements in Properties. Churchbury Estates rose 20 to 740p on speculative buying, while Speyhawk gained 5 to 165p in a restricted market. Estate agents Connells found support and touched 95p prior to closing 3 better at 90p. USM-quoted Tops Estates, 115p, and Wingate, 123p, added 8 apiece, while City Site Estates hardened a couple of pence to 73p.

British and Commonwealth, 7 better at 217p, provided an isolated firm feature in Shipping.

Leeds Group revived 15 to 120p following demand in a thin market. Carpets International rose 3 to 25p, while improvements of around 4 were seen in Coats Patons, 132p, Dawson International, 364p, and Nottingham Manufacturing, 202p.

Investment Trusts encountered demand which took Precious Metals up 6 to 106p, while similar improvements were seen in Ashdown Investments, 386p, Border and Southern, 153p, and Globe, 249p. Among Financial Trusts, Centreway Trust gained 1p more to 100p in a thin market and Flextech rose 5 to 68p.

Burmah Oil firm

The Saudi Arabian oil minister's statement that any new price cut by North Sea producers could lead to an oil price war had an unsettling effect on Oils, however, leading quotations managed to absorb early selling and settled only marginally lower on balance. British Petroleum finished a shade easier at 498p and Shell 3 cheaper at 655p. Ultramar lacked support and lost 9 to 227p, while Britoil fell 8 to 207p. Elsewhere, Burmah Oil moved ahead strongly on revived talk about a possible bid from Trafalgar House and the close was a net 5 up at 27p, after 220p. The first-half profits recovery helped Imperial Continental Gas rise 8 to 318p. Among Irish exploration issues, Oliver Prospecting remained under pressure on rumours of a Celtic Sea dry well and fell 25 more to 150p. Recent favourite Osceola gave up 15 to 11Pp on profit-taking.

Activity in Plantations, boosted late last week following excellent mid-term figures from Harrison Malaysian, received another shot in the arm on the announcement that Majedie Investments and Barlow Holdings are currently involved in merger negotiations; Majedie advanced 19 to 115p, after 118p, while Barlow rose 17 to 105p. Other Rubbers closed a shade easier for choice. Consolidated Plantations gave up 5 at 103p while similar falls were marked against Kuala Lumpur Kepong, 91p, and Highlands, 92p. Teas featured McLeod Russell which attained a new 1984 peak of 348p before settling 4 lower on balance at 338p following the preliminary results and proposed one-for-three scrip issue.

Golds quiet

Mining markets put up yet another lacklustre showing as investors' interest was directed elsewhere. Bullion again failed to provide a worthwhile lead — being finally unchanged at $328.75 an ounce — and consequently South African Golds displayed modest fluctuations for choice.

Heavyweight issues opened a shade firmer in the wake of overnight Wall Street, but in absence of follow-through demand from London and Johannesburg prices sagged. Losses finally ranged to a full point as in Randfontein, £87, while falls of around ¼ were noted in Vaal Reefs, £78, Free State Geduld, £22¾, and President Steyn, £28.

In contrast to Monday's disappointing declarations from the Rand Mines group, those from the Consolidated Gold Fields group were deemed as mildly encouraging. They failed to have any bearing on the market, however, and the FT Gold Mines index eased 2.5 to 329.8.

London-domiciled Financials again featured Charter Consolidated: down to 180p on sporadic nervous selling in front of today's half-timer, the shares rallied late to close a net penny to the good at 183p.

Once again, "down-under" operators continued to shy away from mining counters. London tended to follow suit and Western Mining, 201p, Renison, 237p, and Peko-Wallsend, 343p, all shed a few pence.

Business in Traded Options improved with total contracts amounting to 9,879—7,248 calls and 2,631 puts. British Telecom remained to the fore, attracting 2,651 calls, 1,097 in the February 90's, and 1,374 puts. Elsewhere, Trafalgar House positions were in demand, particularly the April 330 calls which contributed 910 trades to a total of 1,251. Jaguar attracted 1,213 calls, the December 200's and 220's accounting for 495 and 600 trades respectively. The FT-SE 100 index attracted 797 calls and 635 puts.

FINANCIAL TIMES STOCK INDICES

	Dec. 11	Dec. 10	Dec. 7	Dec. 6	Dec. 5	Dec. 4	year ago
Government Secs.	83.15	83.29	83.27	83.54	83.66	83.86	82.43
Fixed Interest	86.12	86.11	86.33	86.38	86.41	86.37	85.92
Ordinary	930.1	930.3	923.0	908.4	914.6	917.5	750.3
Gold Mines	329.8	332.3	347.3	347.3	335.8	666.7	584.5
Ord. Div. Yield	4.52	4.53	4.56	4.60	4.66	4.64	4.63
Earnings, Yld.% (full)	11.80	11.88	11.90	12.01	11.83	11.86	9.64
P/E Ratio (net) (*)	10.17	10.15	10.09	9.99	10.06	10.10	12.79
Total bargains (Est.)	51,521	34,882	23,885	24,006	24,669	25,884	20,653
Equity turnover £m.	—	332.26	461.67	562.12	486.28	311.50	209.13
Equity bargains	—	25,759	27,110	27,975	30,384	34,975	16,696
Shares traded (ml)	—	218.8	257.8	331.6	242.4	478.5	122.8

10 am 933.0. 11 am 932.3. Noon 933.0. 1 pm 934.6. 2 pm 934.3. 3 pm 932.8.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=2.84.

HIGHS AND LOWS / S.E. ACTIVITY

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77 (9/1)	75.72 (30/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3)	80.43 (30/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	930.5 (10/12)	755.5 (25/7)	550.3 (10/12/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/3)	485.7 (1/8)	734.7 (15/2/83)	43.5 (26/10/71)

	Dec. 10	Dec. 10
Daily Gilt Edged Bargains	133.0	135.4
Equities Bargains	166.2	175.7
Equities Value	712.0	232.3
5-day Average Gilt Edged Bargains	140.6	145.5
Equities Bargains	187.8	190.1
Equities Value	999.5	1,071.8

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Tues Dec 11 1984 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Mon Dec 10 Index No.	Fri Dec 7 Index No.	Thur Dec 6 Index No.	Wed Dec 5 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (205)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (187)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Newspapers, Publishing (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (45)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39 Other Consumer (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (89)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (55)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Discount Houses (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Insurance (Brokers) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Property (53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Other Finance (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Investment Trusts (105)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (740)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tues Dec 11	Day's change %	Mon Dec 10	xd adj. today	xd adj. 1984 to date
British Government 1 5 years	118.78	-0.01	118.79	—	10.94
2 5-15 years	132.39	-0.08	132.50	—	12.95
3 Over 15 years	140.92	-0.10	141.06	—	13.57
4 Irredeemables	151.34	-0.27	151.75	—	12.38
5 All stocks	130.66	-0.06	130.73	—	12.56
6 Debentures & Loans	110.99	+0.19	110.78	—	11.09
7 Preference	77.77	-0.06	77.81	—	6.59
BRITISH GOVERNMENT INDEX-LINKED STOCKS 8 All stocks	110.64	+0.10	110.53	—	2.44

AVERAGE GROSS REDEMPTION YIELDS	Tues Dec 11	Mon Dec 10	Year ago (approx.)
British Government 1 Low Coupons 5 years	[illegible]	[illegible]	[illegible]
2 15 years	[illegible]	[illegible]	[illegible]
3 25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons 5 years	[illegible]	[illegible]	[illegible]
5 15 years	[illegible]	[illegible]	[illegible]
6 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons 5 years	[illegible]	[illegible]	[illegible]
8 15 years	[illegible]	[illegible]	[illegible]
9 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
11 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
12 15 years	[illegible]	[illegible]	[illegible]
13 25 years	[illegible]	[illegible]	[illegible]
14 Preference	[illegible]	[illegible]	[illegible]
15 Inflation rate 5%	[illegible]	[illegible]	[illegible]
16 Inflation rate 10%	[illegible]	[illegible]	[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p. ● Corrected figures for 10/12/1984.

EUROPEAN OPTIONS EXCHANGE

Series	Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 5,527

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+or-	Net div.	Times covered	Gross yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully-paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing Shares of no par value.

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (135)

BRITISH FUNDS (2)
INT. BK. & O'SEAS GOVT. STLG. ISS. (1)
FOREIGN BONDS (1)
AMERICANS (3)
BANK (1)
BREWERS (1)
BUILDINGS (1)
CHEMICALS (9)
STORES (16)
ELECTRICALS (15)
ENGINEERING (6)
FOODS (0)
HOTELS (6)
INDUSTRIALS (25)
INSURANCE (2)
LEISURE (1)
NEWSPAPERS (2)
PAPER (7)
PROPERTY (6)
TEXTILES (2)
TRUSTS (25)
OILS (2)
PLANTATIONS (2)
MINES (1)

NEW LOWS (6)

AMERICANS (1)
Union Carbide
CANADIANS (1)
Intl. Corona Res.
NEWSPAPERS (1)
Black (A. & C.)
TRUSTS (1)
Yorkgreen Invs.
MINES (2)
Eagle Corp. Samson Explrtn.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Brit Telecom	32	95½	+ 3
Falcon Res	19	195	+25
Excalibur Jwly	14	11½	+ 3
NatWest Bank	13	570	+ 2
Glaxo	12	£10⅝	+ ⅛
Mersey Docks	12	40	+ 4
Ultramar	12	236	+11
BAT Inds	11	315	+ 1
Brit Aero	11	363	+ 8
BP	11	500	− 1
Dixons Group	11	486	+34
Norcros	11	165	−17
Hanson Trust	10	292xd	+ 6
RTZ	10	604	+ 4

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 3	Dec 14	Mar 7	Mar 18
Dec 17	Jan 4	Mar 21	Apr 1
Jan. 7	Jan 18	Apr 11	Apr 22

For rate indications see end of Share Information Service

Money was given for the call of British Telecom, Rex Williams Leisure, Argyle Trust, Associated British Engineering, Taylor Woodrow, Whittington Engineering, Inter-City, Aberfoyle, Marks and Spencer, North Kalgurli, Feedex Agricultural Industries and Blackwood Hodge. Puts were struck in First National Finance and Stead and Simpson, while doubles were arranged in British Telecom and Taylor Woodrow.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BOC	255	+ 4
Barlow Holdings	105	+17
Bowater Inds	194	+ 1
British Telecom	96½	+ 1
Burmah Oil	217	+ 5
Carlton Comms	625	+60
Hanson Trust	294	+ 2
Ladbroke	243	− 8
Norcros	168	+ 3
Reed International	512	+ 8
Trafalgar House	319	+ 7
Whitbread "A"	204	+ 7

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	15	61	28
Corpns, Dom. and Foreign Bonds	13	10	48
Industrials	395	159	869
Fin. and Props.	185	34	324
Oils	21	37	68
Plantations	2	8	7
Mines	19	60	98
Others	88	42	64
Totals	740	411	1,506

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
B.P. (*496)	390	115	120	—	2	4	—
	420	86	50	—	3	6	—
	460	63	56	83	8	16	22
	500	20	30	38	22	30	37
	550	3	15	—	50	65	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
Imperial Gp. (*180)	140	43	46	—	8	5	—
	150	23	27	30	2	5	8
	180	8½	13	18	2½	12	15
LASMO (*341)	280	83	—	—	4	—	—
	350	44	56	—	7	14	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Dec. 11. Total contracts 9,879. Calls 7,248. Puts 2,631.
* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
105¾	100	Treas. 15pc 1985	100	–	14.87	9.64
102¼	100	Exch. 12pc Cnv. '85	100⅝	–	11.93	9.58
97¼	93	Treas 3pc 1985	97¼	+	3.08	9.55
102⅞	99½	Treas 11½pc 1985	101 xd		11.38	9.78
99¼	96	Treas 8¼pcCnv '85	99		8.82	9.86
104	99	Exch. 12¼pc 1985	102		11.99	9.73
109	99¼	Exch. 11¼pc '86	101⅞		11.53	9.96
102	96	Treas. 10pcCnv 1986	100	+	9.99	9.92
93	88¾	Treas 3pc 1986	93¼		3.22	8.08
102	96¼	Exch 10½pc Cv '86	100⅝		10.43	10.03
104	99	Treas 12pc 1986	102	–	11.70	10.13
98¾	93½	Treas 8½pc 1984-86‡‡	97 xd	–	8.69	10.09
108	102	Exch. 14pc 1986	106¼	–	13.19	10.30
89¼	85	Exch. 2½pc 1986	89¼		2.81	8.70
107	100	Exch. 13¼pc 1987	105	–	12.61	10.46
100⅞	94½	Treas 10¼pcCv '87	99½	–	10.30	10.46
87¾	83¾	Exch 2½pc 1987	87¾		2.85	8.71
101	94½	Exch. 10½pc 1987	100¼	–	10.49	10.41
92¾	87	Funding 6½pc '85-87‡‡	92⅝	–	7.02	10.05
99⅝	92⅞	Treas. 10pc 1987	99xd		10.10	10.47
86¾	81	Treas 3pc 1987	86⅝xd	+	3.46	0.92
105	97¼	Treas. 12pc 1987	103½		11.59	10.55
94⅞	87	Treas 7¾pc 1985-88‡‡	93¼	–	8.32	10.35
100¼	92	Exch 10½pc '88	99	–	10.53	10.59
90	89	Treas 9¾pc Cv '88	97¼xd	–	10.01	10.65
82¼	77	Transport 3pc '78-88	82 xd	+	3.65	9.00
96	88	Treas. 9½pc '88	96	–	9.90	10.73
106¼	94	Treas 11½pc 1989	102	–	11.27	10.84
96	87	Treas 9½pc Cnv. '89	96¼	–	9.88	10.62
99⅝	90	Treas 10½pc 1989	98 xd	–	10.63	10.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP AND LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

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SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

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Australians

Tins

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NOTES

REGIONAL & IRISH STOCKS

OPTIONS — 3-month call rates

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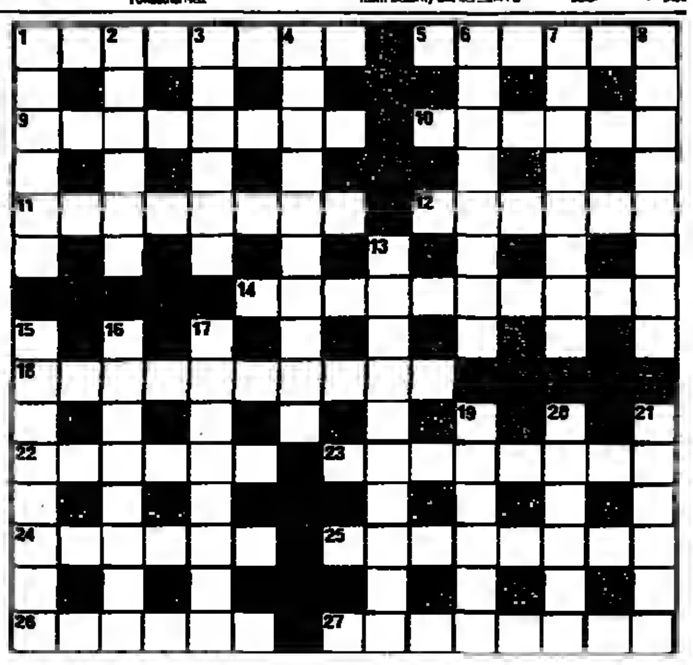
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,593



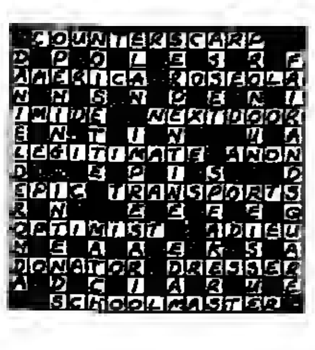
ACROSS

1 Deal, perhaps, for 2 in cooked foods (8)
5 12 of the French start on the Clyde (6)
9 Number of acrosses in French en route, possibly (8)
10 4 in the French railway uniform (6)
11 Last hour, perhaps, for loch in the revolution (8)
12 River, one in 7 (6)
14 ESP is next—she's needed (5, 5)
18 Number of porridge eaters, maybe herb eaters (5, 5)
22 Notes infers 4 (6)
23 Unlucky form of rite coming in later (8)
24 Pressed the Irish for 1 penny formerly (6)
25 9 in cat has very little significance (8)
26 Rush contains 10 (6)
27 Raise bird about 8 (8)

DOWN

1 Allow to be hurt (6)
2 Made groovy music? (6)
3 Become old accompanying the queen (6)
4 Worked too hard, it's obvious not being sober (10)
6 Vine sure to change the world (8)
7 Inscription on old coin referred to above (3, 5)
8 Vexations, in old English, disturbed cosy Anne (8)
13 Treasury has new hooters to use (10)
15 Fairly rigid suits going up to angle (8)
16 Religious without parson earlier (8)
17 Get back like a dog? (8)
19 Making an effort is tiresome (6)
20 Be sorry when imprisoned again? (6)
21 Harmony that isn't? (6)

Solution to Puzzle No. 5,592



INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

Midland Bank Tst Corp (Jersey) Ltd
28-34, Hill St. St Helier, Jersey. 0534 36281
MdBkOsGt 106.1 106.6 .... 11.26
MdBkIntBd 51.06 1.8 .... 7.41

Minerals Oils Res Shrs Fd Inc
PO Box 104, St Helier, Jersey. 0534 27441
MoresDc6 $11.04 11.38 .... 3.51

Samuel Montagu Ldn Agents
114, Old Broad St, EC2. 01-6263434
MtAmEqla(z) 97.8 102.8 +0.7 3.61
MtJaglncla) 69.2 72.8 −0.9 4.28
MntBtlInc(z) 39.4 33.1 .... 10.11
MtStRs93 £13.13 13.19 .... 9.17
MtInSDec5 $0.21 0.60 .... —
ApIDc5 SF103.65 112.39 .... 1.25
JpN30 HK$43.08 46.62 .... 0.16
117GpN30 $17.43 18.75 .... 1.38
MFRNFD6 $10.76 10.78xd .... —
USFIFNvB $11.22 11.82 .... —

Murray Johnstone (Inv Adviser)
163, Hope St, Glasgow, C2. 041-221 5521
NpcStD11 $66.02 19.70 .... —
MarFdDc5 £18.73 79.95 .... —
PacFdDec12 $4.06 4.34 −9.87 —

NEL International Ltd
PO Box 110, St Peter Port, Guernsey, CI.
SterlingDep 77.3 01.4 .... —
SterlFxdInt 89.00 93.7 .... —
SterlingMan 03.5 703.8 .... —
IntFxdMan 104.8 113.9 .... —
IntMan 104.2 713.2 .... —

Nat Westminster Jersey Fd Mgrs Ltd
23/25 Broad St, St Helier, Jersey. 0534 70041
HgInFd(a)(b) 54.8 87.0 .... 19.53
EqtyFd(a)(b) 101.6 108.0 +7.0 2.07
IndBdFd(a)* 77.8 80.0xd 6.92
*Eab day every 7hrs.

County Bank Currency Fund Gt
Dollar Class 323.1209 +9.0052 —
Sterling Class £11.4548 +0.002 —
D-Mark Cl DM33.5623 +0.0067 —
DutchGldrCl DFl33.5203 +0.0058 —
Jap Yen Cl Y3,433.4709 +0.0366 —

Negit SA
10a Boulevard Royal, Luxembourg.
NAV 30.24 +0.04 —

Newport International Management
Bank of Bermuda Bldg, Bermuda. 809 295 4000
Npt Int Sec $13.49 — .... —
Npt Int Inc $14.53 — .... —
Npt Pacific $11.97 — .... —

Norcap Fund Managers (Bermuda) Ltd
Bank of Bermuda Bldg, Bermuda. 890 295 4000
Amer Trust 57.04 8.25 .... —

Normandy Trust Managers Ltd
29, Athol St, Douglas, IoM. 0624 29696
Ndy Mt £0.0672 1.0182 .... 2.00
Ndy CT £1.2327 1.2877 .... 2.00
CbrCrG £0.7631 0.8054 .... 2.00

Northgate Unit Tst Mngrs (Jersey) Ltd
PO Box 82, St Helier, Jersey. 0534 73741
PacFdDec5 $11.56 12.44 .... —

Pacific Basin Fund
10a, Boulevard Royal, Luxembourg.
Inv. Adv., M & G Inv. Mngt. Ltd., London.
NAV $13.70 −0.11 —

Perpetual UT Mngrs (Jersey) Ltd
PO Box 459, St Helier, Jersey. 0534 74317
OffshrGrw 31.12 1 191 .... —

Phoenix International
PO Box 77, St Peter Port, Guernsey. 0481 23339
IntDollarFd $4.03 4.35 .... —
Far East Fd 35.42 5.60 .... —
IntCurvFd 31.70 1.84 .... —
DlrFudIntFd $4.15 4.47 .... —
StgExGtFd £2.57 2.78 .... —

Providence Capitol International Ltd
PO Box 121, St Peter Port, Guernsey. 0481 2672649
£UKFudInt 164.6 177.0 .... —

[illegible]

Surinvest (Jersey) Ltd
4 Hill St, Douglas, IoM.
Cooper Tst £14.03

TSB Trust Funds (CI)
26 Hill St, St Helier, Jersey.
TSB Gilt Fd 103.0
TSBGiltFdJy 103.0
TSB Jy Fd 97.1
TSB Grnsy Fd 97.1
TSBCrncyFd 102.3
Prices on Dec 12.

Taiwan (ROC) Fund
c/o Vickers da Costa, London, EC4.
NAV $465. IDR value

Target Trust Mngrs (Jersey) Ltd
PO Box 104, St Helier.
Man Cor Fd 104.7

Tennant (Cayman) Managers Ltd

NATICO
PO Box 2189, Grand Cayman.
Wstmstr Cm 58.32

Tokyo Pacific Holdings NV
Intimis Management Co
NAV per share

Tokyo Pacific Hldgs (Seaboard) NV
Intimis Management Co
NAV per share

Tyndall Bank (Isle of Man) Ltd
30 Athol St, Douglas, IoM.
Stg Mny Fd 0.25
US$ Mny Acc 8.00

Tyndall Managers
2 New St, St Helier, Jersey.
TOFSL 192.1
Americas 204.2
Far Eastern 260.0
European 113.6
Prtflo Man 103.5
Prtflo Amer 08.8
PrtfloSlFEst 197.0
PrtfloSoEor 106.8
Jersey Fd 173.2
(NnJAcUts) 424.6
Gilt Fund 117.0
(AccumShs) 316.0
Victory House, Douglas
HlgDlncGilt 112.4
(Accum Shs) 213.8

Tyndall International Assurance Ltd
Albert House, St Peter Port, Guernsey.
Int Equity 428.7
Do $ 5.173
Pacific Eqty 134.7
Do $ 1.925
NAmarEqty 91.5
Do $ 1.100
UK Equity 301.4
Do $ 3.640
Euro Eqty 119.0
Do $ 1.435
Intl Fxd Int 436.0
Do $ 3.313
Stg Fxd Int 277.6
Do $ 3.330
$ Deposit 144.2
Do $ 1.740
Stg Deposit 157.0
Do $ 1.895
Comodity 444.0
Do $ 3.375
Gold 83.2
Do $ 1.003
UK Prpty 103.1
Do $ 2.353
Intl Manod 338.3
Do $ 4.325
UK Manod 262.5
Do $ 3.163

Tyndall-Guardian Mngt Ltd
PO Box 1256, Hamilton, Bermuda.
T-G American
T-G Money
T-G Eurobond
T-G Commodity
T-G Mortgage
T-G Overseas
T-G Pacific
T-G Wall Street
T-G Gold

[illegible]

Gilt&OptFd £1.10 1.25 +0.01 3.00
U.S. $ Opt $0.93 0.98 −0.01 —

World Wide Growth Management
10a Boulevard Royal, Luxembourg.
Inv Adv, M & G Inv Mngt Ltd, London.
WwoGthFd $11.23 — −0.07 —

Wren Commodity Management Ltd
10 St George St, Douglas, IoM. 0624 25015
Wren Com Fd 12.8 13.3 .... 3.10
Chinese Fd 39.0 62.8 .... 1.70
PrecMMFd 122.7 127.8 .... 8.39
VnngCmdyFd 23.5 24.1 .... —
FlaFuturesFd 32.4 33.8 .... —

Yamaichi Dynamic Mngt Co SA
1da Boulevard Royal, Luxembourg.
Dynamic Grw Fd $8.82 −0.10 —

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St, EC4 4ST. 01-236 0932				
Call Fund	9.34	9.59	6mth	Call
7-day Fund	9.51	9.97	6mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	8.02	9.77	6mth	Call
7-day Fund	0.20	9.41	3mth	Call
MnyMgAc	9.675	9.175	3mth	Call
Dollar	7.62	7.75	6mth	2-day

Money Market Bank Accounts

	Nom	Apr	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6079				
TreasuryAcc	9.475	9.77	Qtr	Call
Mth Int Chq	9.25	9.66	Mth	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 6060				
Cheque Acc	0.25	0.65	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton. 0604 252897				
High Int Chq	9.7	9.57	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circ, EC2M 5QL. 01-355 2777				
Catar Alles	9.25	0.65	Mth	Call
Charterhouse Japhet plc				
7 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	9.25	9.85	Mth	Call
U.S. Dollar	6.50	9.98	Mth	Call
German Marks	5.0	5.10	Mth	Call
Swiss Franc	2.0	2.05	Mth	Call
Japanese Yen	5.0	8.19	Mth	Call
Choulartons				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW. 061-629 0011				
Cheque Acc	9.75	70.29	Mth	Call
Co-operative Bank				
78-89 Cornhill, EC3. 01-626 6543 Ext 465				
Under £1,000	8.00	8.24	Qtr	Call
Over £1,000	10.00	10.26	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon, TQ9 6JE. 0803 562277				
MnyMktAcc	0.50	89.84	Qtr	Call
Henderson/Bank of Scotland				
38 Threadneedle St, EC2. 01-628 8060.				
MnyMtChqAc	0.23	9.65	Mth	Call
Lombard North Central plc				
77 Gruton St, W1A 3DH. 01-409 3434				
Notice Dep	8.73	10.12	Rate	14-day
M & G Kleinwort Benson				
91-99 New London Rd, Chelmsford. 0245 51651				
HighIntChqAc	9.39	9.74	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	0.51	0.84	Qtr	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford, RM1 3LB. 0708 66966				
HighIntMktAc	9.00	9.47	Daily	Call
Premier Acc	9.00	9.41	Daily	Call
Tyndall & Co				
29 33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	9.29	0.81	Qtr	Call
Money Acc	9.376	0.77	Qtr	Call
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth. 0705 827733				
Special Acc	9.00	9.38	Mth	Call
Over£10,000	0.25	0.60	Mth	Call

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered prices include all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ● Yield before Jersey tax. † Ex-subdivision. :: Only available to charitable bodies. ⊖ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

UK prepares milk import ban defence

BY IVO DAWNAY IN BRUSSELS

BRITAIN was yesterday preparing its response to a charge by the European Commission that its ban on imports of fresh milk from the Continent may be an illegal restraint to trade.

A formal Commission letter to the UK Government concludes that veterinary and health regulations that rule out sales of foreign pasteurised milk are probably contrary to EEC regulations and asks for Britain's comments.

The move is being seen in Brussels as a prelude to the opening of formal legal proceedings if the alleged infringements are not rectified. If an action in the European Court is successful, the UK dairy industry could face substantial competition from EEC producers.

Last year, a similar Commission legal action forced Britain to admit imports of ultra-heat-treated (UHT) long-life milk. Since January 600 tonnes of UHT milk, a tiny proportion of the UK market, has entered Britain.

In the case of fresh milk imports could be much higher, officials believe.

Last night, Mr John MacGregor, junior UK Farm Minister, said that Ministry of Agriculture officials would be preparing a response to the Commission's letter. However, it is understood that Britain is likely to base its defence on the fact that no objections to the continued exclusion of fresh milk were raised by its Community partners when health rules were adapted to accommodate imports of UHT.

Andrew Gowers adds: The Milk Marketing Board said it was too early to speculate on the results of the Commission's move, or whether fresh milk imports would pose a serious threat.

Privately, senior board executives view the prospect of such imports with horror, particularly at a time when British dairy farmers have cut production by far more than those in most other EEC countries as a result of milk quotas.

Ralli Bros fined $100,000

BY NANCY DUNNE IN WASHINGTON

THE Comodity Futures Trading Commission has issued its first fine against a foreign trader for refusing to co-operate with CFTC trading rules.

A commission administrative judge last week issued an initial decision fining Ralli Brothers, a Geneva-based private bank, $100,000 (£83,000) and banned it from trading in U.S. futures for two years for failing to provide information required by the commissioners.

Ralli contended that disclosure of the information sought—dealing with customers' identities and futures positions —would have violated Swiss banking laws. It said the commission's enforcement proceeding was unconstitutional and contrary to the principles of international law.

A CFTC official said the complaint against Ralli dates back to 1982 and early 1983 when the bank was trading platinum on the New York Mercantile Exchange. The commission, under its wide trading rule, requires specific information when traders hold more than 50 platinum contracts. Ralli refused to provide this.

"If they are going to use our markets, they are going to have to follow our rules," the official said.

This is the third case involving U.S. insistence on extraterritorial powers in which a foreign firm has been banned from U.S. markets.

In 1979, Swiss Volksbank refused to disclose information about silver trading and was prohibited from trading for three months.

In 1982, the CFTC issued a ban against Alan J. Ridge and Co of London, when Ridge refused access to its records on the transfer or deposit of coffee.

Further fall in world sugar price

WORLD SUGAR values came under renewed pressure yesterday. In the morning the London daily raws price was fixed $8.50 lower at $105 a tonne, reflecting Monday's sharpe decline in futures prices, and on the futures market nearby values slipped another couple of dollars.

Dealer's said there were no new fundamental factors to explain this week's fall. 'Holders seem to have suddenly got fed up with waiting for prices to pick up," commented one trader. He said some operators had been holding on in the hope of the Soviet Union re-entering the market as a buyer, but there was still no sign of this happening.

● JAPAN has officially accepted an agreement with the U.S. to end the hunting of sperm whales in 1988, a Japanese Foreign Ministry official said.

In accordance with a recent U.S.-Japan compromise worked out in Washington, the Japanese Government decided to withdraw its objection to a ban on sperm whaling by the International Whaling Commission, the official said.

● INDIA is likely to export 2m-3m tonnes of wheat to the Soviet Union and some East European countries in the 1984-85 agricultural year ending June, Mr Sawai Singh, chairman of the state-run Food Corporation of India, said.

● BRAZIL'S 1984-85 cotton crop is forecast at 780,000 tonnes, up from a previous revised forecast of 581,000, the U.S. Agriculture Department's officer in Sao Paulo said in a field report.

● COMPOUND FEED production in Britain totalled 1.99m tonnes in the 13 weeks to September 29 this year, down from 2.41m in the corresponding period a year earlier, Ministry of Agriculture figures show.

● COTTON yarn output by members of the Japan Cotton Spinners' Association, covering 85 per cent of Japanese output, fell to 156,969 bags of 400lbs in November, from 160,256 in October and 153,237 a year earlier.

George Milling-Stanley reports on a mining industry in trouble

Hard times for copper groups

THE WORLD market price of copper at less than 60 U.S. cents a pound is in real terms lower than it has been for 50 years, or in this century, or at any time since the French Revolution, depending on which prophet of doom one listens to.

Demand has recently shown some improvement from the depressed levels of the past three years, but this has not been reflected in the price, which remains stubbornly below the estimated average production costs of more than 75 per cent of Western producers.

This poses two crucial questions for the copper industry: are present difficulties irreversible, and are they likely to prove terminal for anybody?

No one could accuse the industry of suffering in silence. The problems have been well-ventilated, especially by the big north American producers, and in such conclaves as the recent ministerial meeting of Cipec, the Intergovernmental Council of Copper Exporting Countries, which represents most of the developing world's producers.

Cipec's reponse in plan to try to co-ordinate action by member countries on the world metal markets in support of prices. No one expects it to work.

The U.S., which last year was overtaken by Chile as the world's main producer, has made big production cuts, reducing mine output from the 1981 level of 1.5m tonnes to just over 1m tonnes in 1983, with a further cut of 46,000 tonnes in prospect this year.

U.S. companies have also taken the lead in cutting operating costs, with reductions of up to a quarter in cash terms since 1981.

However, in spite of output cuts, prices still refuse to rise, partly because of the market's structure. Something over a third of annual demand is met not from primary mine output, but from recycled, or scrap, material, and supply from this source is expected to grow.

U.S. producers claim their actions have been undermined by mines in the developing world, which, they say, have expanded their copper production to try to raise foreign exchange earnings.

The culprits most often mentioned include Chile, Peru, Zambia and Zaire, but available figures do not bear out the U.S. position. Output in all these countries, except Chile, has been either stable or falling since 1981.

Chile has increased its production by about 25 per cent over the period. Overall, copper output from the non-communist world has fallen by about 5 per cent.

Capacity utilisation in western copper mines is estimated at less than 80 per cent, and even the more optimistic analysts predict increases of no more than five percentage points over the next two years.

A measure of the U.S. copper industry's desperation was its unsuccessful plea for import restrictions. Cipec members fear this threat could re-emerge if one of the big U.S. copper groups were to fail.

"If Phelps Dodge, for instance, goes under, we could see the other producers banding together to put pressure on Congress directly, and that could cause any amount of trouble for us," one delegate said.

In the wake of Atlantic Richfield's decision this year to write off against the value of its mining and metals interests, acquired through the takeover of Anaconda in 1977, there is talk about the possible collapse of several U.S. copper companies.

However, Mr Jim Ainsworth, a consultant to the new financial services group Rowak and a respected analyst of the copper mining industry, says he is prepared to stake his reputation on there being no further big copper bankruptcies in the U.S.

More likely than bankruptcies are individual mine closures. Most at risk are the comparatively low-grade operations with high mining costs, mainly underground.

Mr Ainsworth feels that most companies will be able to avoid outright closures by raising the cut-off grade in their calculations of ore reserves. This effectively ends the extraction of lower-grade material from a mine, and could guarantee an operation's profitable survival — but at the cost of shortening the overall mine life. This technique could rescue some higher-cost operations at Phelps Dodge and Asarco.

Some producers are also protected by their position within a larger corporate group, such as Kennecott within Sohio and ultimately BP. Others are able to subsidise marginal or loss-making copper operations through diversification into other products. Newmont, for example, has precious metal and energy interests.

A number of the more ambitious projects of the past few years have already been cancelled, such as the Cerro Colorado prospect in Panama. Several more could experience lengthy delays, notably Ok Tedi in Papua New Guinea, and Olympic Dam in South Australia.

Texaco, which owns the rich La Escondida deposit in Chile jointly with Broken Hill Proprietary, has been trying to sell its interest. And BHP wants outside finance to help with the estimated $1bn development cost.

In the present climate selling even a project as ric has La Escondida is a struggle.

U.S. tobacco price support attacked

BY NANCY DUNNE IN WASHINGTON

THE BEST "cure" for U.S. tobacco exports in the stagnant world market would be an end to present price supports which keep American leaf prices above market clearing levels.

This view was presented at last week's Department of Agriculture annual outlook conference by Mr Hugh C. Kiger, executive vice-president of the Leaf Tobacco Exporters Association. It is a view likely to find strong support within the Reagan Administration, which would like to knock down or eliminate as many price supports as possible.

Tobacco price supports, in particular, have been criticised, because one government department subsidies growers while others warn of the dangers of smoking and finance cancer research.

During the past few years world cigarette output has increased slightly overall. Consumption has declined in the U.S., UK and Japan, but increased in Asia.

Some developing countries in North Africa and the Middle East are considered potential growth markets for U.S. flue-cured and burley tobacco.

In 1984, U.S. exports of unmanufactured tobacco and tobacco products is forecast at about $2.5bn (£2.3bn). Imports are running at about $600m for the year.

However, exports are being hurt by the strong dollar, and the present price support system may result in "collapse or self-destruction of the programme," said Mr Kiger.

A market-oriented policy, he said would: enable the U.S. to compete internationally by producing higher volumes at market prices and increase both exports and domestic use.

Drainage grants cut 50%

By Andrew Gowers

THE GOVERNMENT yesterday detailed swingeing cuts in the grants it provides to help farmers

The reduction in field drainage grants is the main feature in a package of changes to the Ministry of Agriculture's capital grants schemes which will bring overall savings of £40m

The standard rate of capital grant under the nationally-funded grant scheme is reduced to 15 per cent of the cost of lowland projects. The grant rate had been 30 per cent for most purposes and 30 per cent for field drainage.

Demand rise for strategic metals forecast

TECHNOLOGICAL developments will bring a sharp rise in demand for "strategic" metals, according to a report by an advisory council to the Japanese International Trade and Industry Ministry (Miti), Reuter reported from Tokyo.

The Minnig Industry Council said Japan should encourage increased production for such metals whose volume is expected to triple in volume from current levels by the end of the century.

Meanwhile current markets for specialised metals remain seasonally quiet.

All prices as supplied by Metal Bulletin:

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse 3,200-3,275.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 6.35-6.55.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 1.09-1.15, sticks 1.10-1.18.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 11.45-11.55.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse 302-309.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse 3.95-3.05.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse 9.20-9.75.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO3, cif 73-79.

VANADIUM: European free market, min 98 per cent V205, other sources, $ per lb V205, cif 2.00-2.15.

BISMUTH: UK: MCP-Peko, 99.99 per cent, $ per lb, tonne lots, ex-warehouse 6.50.

COBALT: World, Zaire: Sozacom, $ per lb 12.50.

NICKEL: World, Inco, melting grade, $ per lb, cif Far East and America, delivered rest of world 3.20.

URANIUM: Nuexco exchange value, $ per lb U308 15.30.

VANADIUM: Highveld fused min 98 per cent V205, $ per lb V205, cif 2.41.

ZINC: GOB producer basis, $

LONDON MARKETS

A THREATENED shortage of immediately available supplies dominated the London Metal Exchange yesterday. The gap between the cash price and three months' quotation for higher grade copper and aluminium narrowed significantly.

Cash zinc extended its premium over the forward quotation, as trade buying interest pushed values higher. Lead was held back by the settlement of the long-running strike by St Joe workers in Missouri.

In precious metals, free market platinum values dropped to the lowest level for more than two years, reflecting the recent fall in gold, which was unchanged yesterday.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

[illegible]

COPPER

[illegible]

ALUMINIUM

[illegible]

NICKEL

NICKEL	a.m. Official	+ or —	p.m. unofficial	+ or —†
Spot	4066-70	-50.0	4079-80	-16.0
3 months	4070-2	-48.5	4076 80	-16.5

Nickel—Morning: Three months £4070, £4070, 75, 70. Kerb: Three months £4070. Afternoon: Three months £4070, 73 cash £4079, 80, three months £4075, 73, 75, 74, 75, 78. Karb: Three months £4080, 85, 90. Turnover: 1,434 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	336-.5	-2.5	341-2	—
3 months	328-.6	-5.5	334-.5	-0.5
Settlem't	336.5	-2.5	—	—

Lead—Morning: Three months £334, cash £338, 336, three months £334, 33.5, 32, 31, 29. Kerb: Three months £330, 30.5. Afternoon: Three months £332, £33, 34, 35 34.5, 35. Kerb: Three months £35, 34 5, 34. Turnover: 12,675 tonnes. U.S. Spot: 23.00-27.00 cents per pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	9885-900	+27.5	9905-10	+22.5
3 months	9860 5	+17.5	9855-60	+5.0
Settlem't	9900	+25.0	—	—
Standard				
Cash	9865-60	+20.0	9870-5	+27.5
3 months	9820 6	+18.0	9815-20	—
Settlem't	9860	+20.0	—	—
Straits E	829.15	—	—	—

Tin—Morning: Standard: Three months £9820, cash £9850, 55, 60, three months £9820. High Grade: Three months £9860, cash £9895, three months £9860. Karb: Standard: Three months £9820, 25, 20. High Grade: Three months £9865. Afternoon: Standard: Three months £9865. Kerb: Standard: Three months £9820. High Grade: Three months £9865. Turnover: 1,060 tonnes.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	070-3	+12.0	676 80	+14.5
3 months	606-7	+3.0	070-1	+11.7
Settlem't	073	+12.0	—	—

Zinc—High grade Official/Unofficial prices: Cash am £710-715, pm £710-715. Three months am £706-710, pm £710-715; settlement £715. Morning: Three months £664, 65, £665, 66, 67. Karb: Three months £666, 66.5, 67, 57.5, 68. Afternoon: Cash £683, 82, three months £668, 68.5 70, 71, 72, 73, 74, 73, 72, £672, 73, 71, 71.5, 71, 70, 70.5, 70. Kerb: Three months £669, 68, 67.5. Turnover: 18,700 tonnes. U.S. Prime Western: 45.00-45.75 cents per pound.

GOLD

Gold finished unchanged from Monday's close in the London bullion market yesterday to finish at $326½-327. The metal opened at $326-326½ which proved to be the day's low and touched a high in the afternoon of $327¼-327¾. Trading was extremely dull and featureless with the recent bearish influence emanating from New York. However, in the absence of any reasonable volume, dealers were reluctant to suggest how gold might perform after the Christmas break.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
Dec.	—	—	—
Feb.	330,50-30-60	—1.15	331,80-30,00
April	—	—	—

Turnover: 235 (102) lots of 100 troy ounces.

GOLD BULLION (fine ounce) Dec. 11		
Close	$326½-327	(£271⅛-278)
Opening	$326-326½	(£270¾-271¼)
M'nl'g fix.	$326.55	(£271.304)
Aft'n'nfix.	$326.70	(£271.456)

GOLD AND PLATINUM COINS		
Kr'g'r'nd.	$336⅛-337¼	(£280¼-281)
½ Krug.	$173½-174¼	(£144⅛-145¼)
¼ Krug.	$87⅛-88¼	(£72⅝-75⅛)
1/10 Krug.	$36¼-37	(£30¼-30¾)
Maple leaf	$336½-337¼	(£280¼-281)
New Sov.	$77-77½	(£64¼-64½)
½New Sov.	$46-47	(£38¼-39¼)
Old Sov.	$77½-79	(£64⅛-65¾)
$20 Eagle	$530-540	(£433¼-440¾)
Noble Plat	$363⅛-387⅛	(£269½-272¾)

SILVER

Silver was fixed 0.95p an ounce lower for spot delivery in the London bullion market yesterday at 568.0p. U.S. cent equivalents of the fixing levels were: spot 682.3c down 1.7c; three-month 698.5c, down 1.8c; six-month 716.3c, down 1.5c; and 12-month 750.5c, down 1.6c. The metal opened at 564-567p (678-682c) and closed at 565-568p (680-683c).

[illegible]

LME—(2,000 oz contract): Cash 565.5p (569.5p); three months 578.75p (583.5p). Turnover: 0 (0).

Turnover: 40 (95) lots of 10,000 oz. Morning: large 1st ring untraded, 2nd ring three months 582, 21.5, 21 small untraded. Karb: untraded. Afternoon: large 1st ring three months 579.0, 2nd ring untraded, small untraded. Karb: large three months 579, small untraded.

COCOA

Futures opened higher as due then weakened quickly in thin volume. Some manufacturer interest halted the decline. The afternoon saw prices strengthen on a combination of weaker sterling and a report of increased podrot in the Ivory Coast, promoting speculative short covering, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Dec	1884-1886	+15.5	1900-1860
March	1858 1859	+26.0	1868-1824
May	1856-1861	+88.5	1865 1828
July	1863-1605	+85.5	1864-1828
Sept	1860 1864	+23.5	1864 1830
Dec	1806 1810	+26.5	1812-1700
Mar	1765-1610	+17.0	1780-1790

Sales: 5,617 (3,923) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for December 10 97.46 (97.46): five-day average for December 11 98.22 (same)

COFFEE

The market opened higher in line with New York overnight reports Drexel Burnham Lambert. Prices consolidated around the initial levels before moving ahead gradually. Renewed buying interest in January influenced additional gains in all contracts.

COFFEE	Yestard'ys Close	+ or —	Business Done
January	2213-15	+16.0	2220 05
March	2216-20	+21.0	2229-10
May	2212-16	+27.5	2213 05
July	2210-20	+20.0	2217 10
Sept.	2210-12	+10.6	2216-10
Nov.	2211-15	+16.0	2220-10
Jan	2205-10	+10.0	—

Sales: 2,908 (10,859) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for December 10. Comp. daily 1979 133.16 (134.41): 15-day average 135.67 (136.11).

INDICES

[illegible]

DOW JONES

Dow Jones	Dec. 6	Dec. 5	Month ago	Year ago
Spot	185.3	124.67	125.84	157.74
Fut	116.44	126.56	128.88	144.8

(Base: December 31 1974 = 100)

GRAINS

The old crop wheat markets reached 30 down on further long liquidation of spot position but gradually improved on shipper buying interest. Sold trade in Jan/Mar switching were the major feature with barley very dull. New crops came under profit taking in thin trade, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterd's close	+ or —
Jan.	109.80	—	109.80	—0.20
Mar.	113.40	—	113.00	—0.30
May	115.95	+0.15	115.75	—0.30
July	119.05	—0.10	—	—
Sept.	98.15	—0.20	97.85	—
Nov.	101.50	—0.30	101.05	—

Business done—Wheat: Jan 110.05-9.75, March 113.60-3.30, May 115.95-8.90, July untraded, Sept 99.40 only, Nov 102.00-1.90. Sales: 150 lots of 100 tonnes. Barley: Jan 110 25.10.00, March 113.35-3.15, May 115.05 only, Sept and Nov untraded. Sales: 45 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 15 per cent Jan 164, Feb 166 50, Mar 169.25, April/Mar 156.25 transhipment east coast. U.S. no 2 soft red winters Jan 147, Feb 146, Mar 146.50. English feed fob Jan/Mar 114 east coast. Maize: U.S. no 3 yellow/French transhipment west coast second half Dec 145-145, Jan 147.50-146.56. Barley: English feed fob Jan 114 25 seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 108.50, H. West 106.00. The UK monetary coefficient for the week beginning Monday, December 17 (based on HGCA calculations using live days' exchange rates) is expected to remain unchanged.

PIGMEAT

Weak physicals continue to exert selling pressure. Some liquidation of January-March noticeable on the close, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Feb.	113.00	114.00	113.98-12.00
April	112.00	112.40	112.20-11.90
June	108 50	100.80	100.80-99.50
Aug	107.20	107.70	107.50-07.20
Oct.	112.80	110.60	112.60-12.50
Nov	113.60	113.80	113.50

Sales: 105 (66) lots of 50 carcases, 3,250 kg.

POTATOES

The market opened unchanged but nervous short-covering quickly moved levels up. Resistance was evident at £65 basis to April, but this finally gave way during the closing call to finish firm at the day's highs, reports Coley and Harper.

Month	Yesterdy's close	Previous close	Business Done
	£ per tonne		
Feb.	65.10	63.60	64.50-64.00
April	65 20	66.50	65.20 62.50
May	67.00	65.00	67.80-66.00
Nov	60.00	66.30	67.00-67.00
Feb.	75.60	75.00	—

Sales: 354 (202) lots of 40 tonnes.

OIL

Except for December cargoes which are in tight supply, Brent traded at or fractionally below yesterday's levels. Nymex opened 7 cents down, lost another 20 cents on unfounded rumours of European crude price cuts but recovered to 17 to 23 cents below Monday's close.

SPOT PRICES	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.55 27.65	—0.10
Arab Heavy	25.05-86.15	—0.05
Dubai	26.60-80.70	—0.05
Brent Blend	27.40-87.50	+0.10
W.T.I. (1pm est)	27.20-87.35*	—0.125
Forcados (Nigeria)	27.45-87.60	+0.05
Urals	87.40-27.80	—
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	241-243	—2
Gas Oil	223-225	—1
Heavy fuel oil	163 185	—

* Jan.

Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Dec.	225.00	—1.25	225.75-24.25
Jan	227.00	—1.00	227.75-28.25
Feb.	227.00	—0.75	227.75-26.25
March	223.25	—1.00	224.50 23.25
April	220.00	—	220.50 20.00
May	220.00	+0.25	220.00
Jun.	—	—	—

Turnover: 1,633 (1,860) lots of 100 tonnes.

RUBBER

PHYSICALS—The London market opened lower, attracted little interest throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 51.00p (same). Jan 71.25p (71.50p). Feb 71 75p (72.00p). The Kuala Lumpur Dec fob price for RSS No. 1 was 192.75 (193.75) and for SMR 20 was 185.5 (186 0).

SOYABEAN MEAL

	Yesterday close	+ or —	Business Done
	£ per tonne		
Dec	145.0-153.0	—	—
Feb	142.5-142.3	+0.45	142.3 142.0
April	142.5 143.8	+0.15	142.6-142.0
June	143.3 144.0	—0.40	145.3
August	145.5-141.0	—0.50	—
October	146.0-149.0	+1.25	—
Dec	14?.0-150.5	—0.75	—

Sales: 317 (150) lots of 20 tonnes, 0 (0) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $105.00 (£87.00), down $8.50 (down £7.50) a tonne for Dec-Jan delivery. White sugar $145.50, down $5.00. Prices came under renewed pressure from commission house long liquidation following the penetration of the previous support area. All positions fell to new life-of-contract lows, reports C. Czarnikow.

No.6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	129.4-129.6	162.0-133.6	133.0 129.0
May	136.4 136.6	140.0-140.2	140.4 136.4
Aug	147.0 147.6	150.4 150.8	150.8 147.0
Oct	154.4-154.6	158.0 158.5	150.2 155.0
Dec	161.0-161.0	165.0-165.4	164.6 162.0
Mar	176.0-176.4	179.0-179.8	179.2-174.4
May	182.0-183.4	185.0-186.0	185.2-185.0

Sales: 5,077 (5,294) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £181.00 (£187 00) a tonne for export.

International Sugar Agreement — (U.S. cents per pound fob and stowed Caribbean ports) Prices for December 10: Daily price 3.72 (3.94): 15-day average 4.00 (4.03).

U.S. MARKETS

Gold and silver came under moderate pressure after an early rally attempt based on strength in currencies failed and fresh selling developed in response to weak oil markets, reports Heinold Commodities. Copper was firm as the continued drawdown in Comex exchange stocks supported a bullish tone. Cocoa and coffee rallied sharply on fears tenderable supplies will be lacking for delivery against outstanding nearby contracts. Sugar came under renewed pressure from long liquidation linked to weak cash demand. Heating oil prices declined again after Norway suspended its official pricing system ahead of the Opec meetings. Soyabeans and wheat prices continued their downward trend despite repeated efforts to rally the markets.

[illegible]

OTHER MARKETS

WOOL

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. [illegible]

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. [illegible]

PARIS

Sugar—(FFr per tonne): [illegible]

COTTON

LIVERPOOL—Spot and shipment sales amounted to 50 tonnes. Few contracts of note were secured but some useful demand was encountered in various directions, mostly in African and Middle Eastern styles.

MEAT/

MEAT COMMISSION—Average fatstock prices at representative markets. [illegible]

SMITHFIELD—Pence per pound. [illegible]

ROTTERDAM

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling and dollar easier

Sterling and the U.S. dollar both lost a little ground in currency markets yesterday. The absence of many commercial banks and institutions ahead of Christmas and the New Year effectively ruled out any sensible analysis of the day's movements.

However there were a few underlying factors which could affect sterling in the New Year, although for the moment market reaction was decidedly muted. Yesterday's release of UK money supply figures showed M3 jumping by 2.75 per cent, around double the market estimate. Much of this was dismissed as reflecting distortions caused by the recent British Telecom share issue but on a normal day, a move outside the upper level of the official target range may have stiffened domestic rates and pushed sterling firmer. On the other hand continued uncertainty over the pricing of North Sea oil represented the major bearish factor. However, the narrow range to which sterling was confined suggested that other than a little position switching, the market seemed quite ready to call it a year.

Sterling's index fell to 74.7 from 74.8 on Monday and a six months ago figure of 79.6. Against the dollar it slipped to $1.1980-1.1990, a fall of 45 points. It was also weaker against the D-mark at DM 3.70 from DM 3.72 and Y296 from Y297. Against the Swiss franc it eased to SwFr 3.0575 from SwFr 3.07 and FFr 11.3225 from FFr 11.39.

The dollar finished weaker overall, once again being confined to a relatively narrow range owing to the proximity of the year end. While briefly touching DM 3.09 against the D-mark it slipped back to finish at DM 3.0870 down from DM 3.0920 on Monday. Against the Swiss franc it eased to SwFr 2.5510 from SwFr 2.5525 and FFr 9.4650 compared with FFr 9.4725. It was a little firmer however against the yen at Y246.90 from Y246.75. On Bank of England figures, its index was 142.5 from 142.6 previously.

D-MARK — Trading range against the dollar in 1984 is 3.1410 to 2.5533. November average 2.9906. Trade weighted index 120.8 against 126.3 six months ago.

The dollar was fixed at DM 3.0863 against the D-mark at yesterday's fixing in Frankfurt down from DM 3.0931 on Monday and the Bundesbank sold $18.3m at the fixing. There was little indication of any open market intervention by the and uneventful trading. A reduction in commercial demand effectively removed much of the dollar's upward momentum although the release of several U.S. economic statistics tomorrow may well help to establish some trend.

Elsewhere sterling slipped to DM 3.7100 from DM 3.7220 and the Swiss franc was marginally lower at DM 1.2117 from DM 1.2119. Within the EMS the Belgian franc rose to DM 4.9690 from DM 4.9680 per BFr 100 but the French franc was weaker at DM 32.635 per FFr 100 from DM 32.655.

STERLING EXCHANGE RATE INDEX

	Dec 11	Previous
8.30 am	74.8	74.8
9.00 am	74.7	74.8
10.00 am	74.7	74.8
11.00 am	74.7	74.8
Noon	74.7	74.8
1.00 pm	74.6	74.8
2.00 pm	74.8	74.8
3.00 pm	74.7	74.8
4.00 pm	74.7	74.8

£ in New York

	December 11	Prev. close
£ Spot	$1.2035-1.2055	$1.2010-1.2020
1 month	0.06-0.04 pm	0.06-0.03 pm
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.9371	+0.08	+0.38	±1.5428
Danish Krone ...	8.14104	8.00425	−1.68	−1.38	±1.6421
German D-Mark	2.24184	2.23265	−0.41	−0.11	±1.1463
French Franc ...	6.87456	6.84487	−0.43	−0.13	±1.3659
Dutch Guilder...	2.52595	2.51924	−0.27	+0.03	±1.5165
Irish Punt ...	0.72569	0.715909	−1.35	−1.05	±1.6671
Italian Lira ...	1403.49	1382.88	−1.48	−1.18	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

Dec 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1975-1.2040	1.1980-1.1990	0.06-0.05c pm	0.55	0.11-0.07 pm	0.30
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 74.50-74.60. Six-month forward dollar 0.02c pm-0.03dis. 12-month 0.45-0.60c dis.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1975-1.2040	1.1980-1.1990	0.06-0.05c pm	0.55	0.11-0.07 pm	0.30
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethind.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.15-62.25.

OTHER CURRENCIES

Dec. 11	£	$		£ Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Fr	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

* Selling rates.

CURRENCY MOVEMENTS

Dec 11	Bank of England Index	Morgan Guaranty Changes%
Sterling	74.7	−15.7
U.S. dollar	142.5	+26.8
Canadian dollar	90.8	−21.4
Austrian schilling	110.0	+2.8
Belgian franc	88.1	−10.0
Danish Kroner	79.7	−8.0
Deutsche mark	120.9	+9.1
Swiss franc	139.8	+9.3
Guilder	110.7	+3.1
French franc	66.5	−14.4
Lira	46.6	−18.6
Yen	156.6	+12.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 10	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.883679	0.601589
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian Fr.	[illegible]	[illegible]	[illegible]
Danish Kr.	[illegible]	[illegible]	[illegible]
Dmark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn Kr.	[illegible]	[illegible]	[illegible]
Spanish Pta.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]
Greek Dr'ch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

*CS/SDR rate for December 10: 1.30847.

EXCHANGE CROSS RATES

Dec. 11	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.199	3.700	296.0	11.32	3.058	4.173	2274.	1.583	74.40
U.S. Dollar	0.834	1.	3.087	246.9	9.445	2.551	3.480	1896.	1.320	62.05
Deutschemark	0.270	0.324	1.	80.00	3.060	0.826	1.128	614.5	0.428	20.11
Japanese Yen 1,000	3.378	4.048	12.50	1000.	38.25	10.33	14.10	7681.	5.344	251.4
French Franc 10	0.883	1.059	3.268	261.4	10.	2.700	3.685	2008.	1.397	65.71
Swiss Franc	0.327	0.392	1.210	96.81	3.703	1.	1.365	743.6	0.517	24.33
Dutch Guilder	0.240	0.287	0.887	70.94	2.714	0.733	1.	544.9	0.379	17.83
Italian Lira 1,000	0.440	0.527	1.627	130.2	4.980	1.345	1.835	1000.	0.696	32.72
Canadian Dollar	0.632	0.758	2.339	187.1	7.158	1.933	2.638	1437.	1.	47.04
Belgian Franc 100	1.344	1.611	4.976	397.8	15.22	4.110	5.606	3056.	2.126	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 11	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term [illegible] per cent; seven days [illegible] per cent; one month [illegible] per cent; three months [illegible] per cent; six months [illegible] per cent; one year [illegible] per cent. Long-term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Little reaction to money supply

Interest rates had a slightly firmer tone on the London money market yesterday, but the tightening was generally confined to shorter term rates, and there was little reaction to the worse than expected UK money supply figures. Although these were distorted by the British Telecom issue it will push even further into the background any hope of lower bank base rates.

Three-month interbank rose to 9⅜ per cent from 9⅛ per cent and discount houses buying rates for three-month bank bills to 9⅛ per cent from 9 per cent.

The Bank of England forecast a money market shortage of £750m in the morning, but changed this to £800m at noon. Total help on the day was only £617m, mainly involving outright purchases of bills from the market at unchanged rates.

Due to the large shortage the Bank of England offered an early round of assistance, but at that time managed to buy only £49m bills outright, by way of £9m bank bills in band 2 (15-33 days) at 9⅛ per cent; £28m bank bills in band 3 (34-63 days) at 9⅛ per cent; £3m local authority bills in band 4 (64-91 days) at 9⅛ per cent; and £9m bank bills in band 4 at 9⅛ per cent.

Another £247m bills were bought before lunch, including £86m outright, through £50m bank bills in band 2 at 9⅛ per cent; and £36m bank bills in band 4 at 9⅛ per cent. At the same time £161m bills were purchased for resale to the market next month. These were divided between £69m bills for resale on January 9, and £92m bills for resale on January 10, all at a rate of 9⅛ per cent.

In the afternoon a further £276m bills were bought outright, by way of £2m bank bills in band 1 (up to 14 days) at 9⅛ per cent; £33m bank bills in band 2 at 9⅛ per cent; £147m bank bills in band 3 at 9⅛ per cent; £14m local authority bills in band 4 at 9⅛ per cent; and £80m bank bills in band 4 at 9⅛ per cent. Late assistance of around £45m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £346m, with the unwinding of repurchase agreements absorbing £424m. Exchequer transactions £85m; and the pre-Christmas rise in the note circulation another £40m. These outweighed bank balances above target by £35m.

UK clearing banks' base lending rate 9½-9¾ per cent since November 23.

MONEY RATES

Dec. 11	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.55	10⅛	1⅛-1⅛	5⅝-5¾	6.46870	16⅞-17⅛	7.75	14⅞-15⅛
One month	5.85-6.00	10⅛-10⅛	5.5⅛	5⅝-5¾	6.53120	16⅞-17¼	10⅜-10⅞	15-15¼
Two months	5.80-5.90	10⅝-10¾	—	—	—	—	—	15-15¼
Three months	5.75-5.90	10⅝-10¾	6.0⅛	5¾-5⅞	6.28195	16⅞-17¼	10½-10⅞	15-15¼
Six months	5.70-5.90	10⅞-10⅞	—	5⅞ 6	—	—	10⅛-10¾	14⅞-15
Lombard	5.0	—	—	—	—	—	—	—
Intervention	—	10⅝	—	5⅝	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Dec. 10 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	0¼ 11	9⅜	8½-8⅝	8¼-9½	—	—	—	—	—
2 days notice	—	—	8⅜	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9¾-9⅝	9⅝	9⅝-9⅝	9⅜	—	—	—	—	—
One month	9⅛-9⅛	9⅝-9⅜	9⅝	9⅛-9⅞	9½	9⅛	9⅜	9⅛	9⅜	10⅛
Two months	9⅛ 8⅝	9⅝-0¾	8⅝	9⅞	8⅜	9⅛	9¼	9⅛	9⅛	9⅛
Three months	9⅛-9⅛	9⅛-9⅛	9⅛	9⅞	9¼	9⅛	9⅛	9⅛	9⅛	9⅛
Six months	9⅛-9⅛	9¾-9⅞	9¾	—	—	—	—	9⅛	9⅛	9⅛
Nine months	9⅞-9⅛	9⅞-10⅛	—	—	—	—	—	—	—	—
One year	9⅞-9⅛	10-10⅛	10	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	10 9⅝	—	9⅝	8.8-8.8	8¼-8½	9⅛ 9½
Two months	10 9⅝	—	9¾	8.85 8.85	8⅛-8⅛	9⅛-9½
Three months	10 9⅝	—	9½	9-9.1	8⅛ 8⅛	9⅛-9½
Six months	10-9⅝	—	9⅞	9.4-9.5	9⅛-9⅛	9⅛-9⅝
Nine months	10⅛-10	—	10	9.8 9.8	—	—
One year	10⅛-10	—	10⅛	10-10.2	9⅛-9⅛	9⅛ 9⅞
Two years	—	10⅜	—	—	—	—
Three years	—	10⅝	—	—	—	—
Four years	—	10⅞	—	—	—	—
Five years	—	11	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period November 7 to December 4 1984 (inclusive): 9.904 per cent. Local authorities and finance houses seven days' notice others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from December 1 1984. London and Scottish Clearing Bank Rates for lending 9½-9¾ per cent. London Deposit Rates for sums at seven days' notice 6-6¼ per cent. Treasury Bills: Average tender rates of discount 9.0894 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9¾ per cent; one-three months 9½ per cent; three-six months 9¾ per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 9½ per cent from November. Deposits held under Series 5 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. December 11)

3 months U.S. dollars

bid 9 1/4	offer 9 3/8

6 months U.S. dollars

bid 9 11/16	offer 9 13/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11¼-11½
Broker loan rate	9¾-10⅛
Fed funds	8⅝
Fed funds at intervention	—

Treasury Bills

One month	7.50
Two month	8.15
Three month	8.32
Six month	8.50
One year	8.77

Treasury Bonds

Two year	99⅞
Three year	100¼
Four year	101
Five year	99¼
Seven year	103⅛
10 year	100⅞
30 year	101⅞

FINANCIAL FUTURES

Gilts fall sharply

Gilt futures fell sharply on the London International Financial Futures Exchange yesterday, following publication of the UK November money supply figures. March delivery fell one full point from the opening level, after a firm start encouraged by the better tone in U.S. markets overnight. The contract began trading at 109-11, but after touching a peak of 109-18, fell back to finish at 108-11, the low point of the day, compared with the previous close of 109-05.

A rise of 2.75 per cent in sterling M3 money supply contrasted with market expectations of a figure in the region of 1.5 per cent, although some comfort was taken from the Bank of England's statement that M3 was erratically high because of a build up of deposits in anticipation of the British Telecom floatation.

Three-month sterling deposits were less influenced by the money supply figures, as cash rates held steady on the money market, but also lost ground on the news.

Eurodollar futures opened firm following an overnight revision to estimates of the fall in U.S. M1 money supply this week. It is now expected to fall by about $3.5bn, compared with earlier forecasts of $2.5bn, and follows two consecutive weekly rises. After the opening trade was fairly quiet until Chicago traders returned as buyers, continuing the overnight trend.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	88.84	88.84	88.75	90.68
March	90.18	90.19	90.05	89.98
June	89.65	89.67	89.57	89.49
Sept	89.23	89.23	89.14	89.07
Dec	—	—	—	88.69

Est volume 2,513 (2,286)
Previous day's open int 10,136 (10,103)

THREE-MONTH STERLING £250,000 points of 100%

	Close	High	Low	Prev
Dec	90.18	90.23	90.19	90.22
March*	90.29	90.34	90.23	90.30
June*	90.16	90.20	90.16	90.19
Sept*	90.00	90.03	90.00	90.02
Dec*	89.77	89.80	89.77	89.80

Est volume 830 (411)
Previous day's open int 5,372 (5,365)
*£500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	109-07	110-04	109-06	109-24
March	108-11	109-10	108-11	109-05
June	107-28	—	—	108-22
Sept	110-17	—	—	111-11

Est volume 4,012 (1,034)
Previous day's open int 2,889 (3,117)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −2 to 5 (32nds)

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	91.63
March	[illegible]	[illegible]	[illegible]	91.26
June	[illegible]	[illegible]	[illegible]	90.90
Sept	[illegible]	[illegible]	[illegible]	90.40
Dec	[illegible]	[illegible]	[illegible]	90.07
March	[illegible]	[illegible]	[illegible]	89.76
June	[illegible]	[illegible]	[illegible]	89.49
Sept	[illegible]	[illegible]	[illegible]	89.23

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	—	—	—	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est volume [illegible]
Previous day's open int [illegible]

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Dec	—	—	—	[illegible]
March	[illegible]	—	—	[illegible]

Est volume nil (2)
Previous day's open int [illegible]

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	—	—	—	[illegible]
March	[illegible]	—	—	[illegible]

Est volume nil [illegible]
Previous day's open int [illegible]

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	—	—	[illegible]

Est volume [illegible]
Previous day's open int [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	71-29	72-01	71-22	71-18
March	71-04	81-08	70-28	70-21
June	70-19	70-19	70-06	70-00
Sept	—	70-00	69-24	69-14
Dec	69-14	69-18	69-09	68-31
March	69-01	69-04	68-29	68-18
June	—	—	—	68-06
Sept	—	—	—	67-27
Dec	—	—	—	67-17
March	—	—	—	67-08
June	—	—	—	67-00

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	90.98
March	[illegible]	[illegible]	[illegible]	90.44
June	[illegible]	[illegible]	[illegible]	89.93

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	90.58
March	[illegible]	[illegible]	[illegible]	90.06
June	[illegible]	[illegible]	[illegible]	89.56
Sept	[illegible]	[illegible]	[illegible]	88.10
Dec	[illegible]	[illegible]	[illegible]	88.71
March	[illegible]	[illegible]	[illegible]	88.38
June	[illegible]	[illegible]	[illegible]	88.05
Sept	[illegible]	[illegible]	[illegible]	87.76

STERLING (IMM) Se per £

	Latest	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	1.2015
March	[illegible]	[illegible]	[illegible]	1.2010
June	[illegible]	[illegible]	[illegible]	1.2025
Sept	[illegible]	[illegible]	[illegible]	1.2045
Dec	[illegible]	[illegible]	[illegible]	1.2065

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	69-08
March	[illegible]	[illegible]	[illegible]	68-14
June	[illegible]	[illegible]	[illegible]	67-25
Sept	[illegible]	[illegible]	[illegible]	67-08
Dec	[illegible]	[illegible]	[illegible]	66-25
March	[illegible]	[illegible]	[illegible]	65-30

London clearing banks' balances

as at November 21 1984

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1. AGGREGATE BALANCES

LIABILITIES	Total outstanding £m	£m	Change on month £m	£m
Sterling deposits:				
UK monetary sector	18,120		− 25	
UK private sector	59,367		+1,880	
UK public sector	1,457		+ 106	
Overseas residents	9,541		− 16	
Certificates of deposit	5,375		− 984	
		94,860		+ 960
of which: Sight		33,010		+1,227
Time (inc. CD's)		61,850		− 267
Foreign currency deposits:				
UK monetary sector	18,519		− 576	
Other UK residents	4,678		− 454	
Overseas residents	46,506		−1,007	
Certificates of deposit	6,012		− 370	
		75,714		−2,507
Total deposits		170,574		−1,547
Other liabilities*		22,363		+ 273
TOTAL LIABILITIES		192,937		−1,275
ASSETS				
Sterling				
Cash and balances with Bank of England		1,437		+ 38
Market loans:				
Discount houses	2,932		+ 39	
Other UK monetary sector	15,318		− 207	
UK monetary sector CD's	2,521		− 14	
Local authorities	869		− 76	
Other	1,690		+ 184	
		23,330		− 74
Bills:				
Treasury bills	57		+ 17	
Other bills	1,651		+ 80	
		1,708		+ 97
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,892		+ 123	
Other	4,158		+ 23	
		7,050		+ 147
Advances:				
UK private sector	62,775		− 101	
UK public sector	364		+ 84	
Overseas residents	4,690		+ 58	
		67,829		+ 41
Other sterling assets*		10,731		+ 437
Foreign currencies				
Market loans:				
UK monetary sector	20,057		− 316	
Certificates of deposit	665		− 59	
Other	31,339		−1,203	
		52,061		−1,578
Bills		225		+ 57
Advances:				
UK private sector	5,796		− 42	
UK public sector	1,010		+ 6	
Overseas residents	17,332		− 424	
		24,139		− 460
Other foreign currency assets*		4,426		+ 21
TOTAL ASSETS		192,937		−1,275
Acceptances		3,679		+ 122
Eligible liabilities		71,165		+ 759

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Out-standing £m	TOTAL Change on month £m	BARCLAYS Out-standing £m	BARCLAYS Change on month £m	LLOYDS Out-standing £m	LLOYDS Change on month £m	MIDLAND Out-standing £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Out-standing £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Out-standing £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	170,574	−1,547	46,009	−647	31,878	− 26	31,346	−1,076	56,492	+250	4,849	− 48
ASSETS												
Cash and balances with Bank of England	1,437	+ 38	465	+ 49	273	+ 21	244	− 25	401	+ 2	54	− 9
Market loans:												
UK monetary sector	38,308	− 484	11,187	−109	4,844	+100	3,706	−453	17,664	− 9	907	− 15
Other	37,084	−1,168	9,812	−111	8,635	−432	6,890	−802	10,622	+242	1,125	− 66
Bills	1,933	+ 153	644	− 43	584	+107	363	+ 84	319	+ 14	23	− 8
British Government stocks	2,892	+ 123	729	+ 28	706	+ 36	678	+ 45	693	+ 15	86	—
Advances	91,969	− 419	25,315	−161	17,659	+ 63	18,323	−112	27,892	−232	2,779	+ 23

TABLE 3. INDIVIDUAL GROUPS OF BANKS' ELIGIBLE LIABILITIES

	TOTAL	Change	BARCLAYS	Change	LLOYDS	Change	MIDLAND	Change	NATIONAL WESTMINSTER	Change	WILLIAMS & GLYN'S	Change
ELIGIBLE LIABILITIES	71,165	+ 759	21,223	+204	14,046	+324	12,910	+166	20,829	+ 80	2,157	− 16

INTERNATIONAL CAPITAL MARKETS

Mexico to launch new 20bn peso petrobond

BY DAVID GARDNER IN MEXICO CITY

MEXICO is to launch a oew petrobond issue oo Monday, in the wake of last week's decision to accelerate the daily rate devaluatioo of the peso against the dollar, from 13 to 17 ceotavos.

The issue will be for pesos 20bo ($97m) at the "free exchange rate used for financial transactions" and is the nioth since 1977.

Though equivalent to less than a week's trading in Treasury bonds, the new issue of what is from the Government's point of view an expensive money raising instrumeot, and for the investor the best domestic hedge against exchange rates fluctuations, is designed both to mop up some of the potential capital flight after last week's mini-devaluatioo and to demonstrate confidence in the future of the peso.

Petrobonds were originally introduced after the 1976 financial crisis as part of an attempt to restore confidence in Mexican instruments. Since the June 1982 issue they have beeo tied to a guaranteed oil price fixed at the beginning of the life of the bood which normally has a three-year maturity. The average yield on the bond is high – 73 per cent so far this year – against inflation running at over 60 per ceot and peso depreciation of about 30 per cent.

They are therefore an alternative to buying dollars, in part replacing the old Mexdollar – the system of dollar-denominated accounts beld in Mexico which disappeared with the 1982 financial collapse. When the Government, however, froze the Mexdollar accounts in August 1982 making them redeemable against what quickly became an unrealistic exchange rate. they held approximately $12bn.

● Pemex, the state oil monopoly has reached agreement with 82 U.S. hanks to reduce the $4bn bankers acceptances facility it holds with them by $1bn.

Prudential America issue casts long shadow in market

BY MAGGIE URRY IN LONDON

EURODOLLAR bond syndicate managers are oow wondering whether there is any room left for them to bring new issues to the market, following the $1bo Prudential of America issue oo Monday. That deal was generously priced, and with its size casting a long shadow in the market, it would be bard to price other issues on finer terms.

There were now new issues in the dollar sector yesterday, and secondary market trading remained quiet. Prices edged ahead oo the back of a better New York bond market, but gains were limited. The three Prudential tranches, two fixed-rate issues and a zero coupoo bond, were trading just inside their fees.

Yamaichi Internatiooal set the terms on its $30m issue with equity warrants for Komori Printing. The coupon is 8 per ceot as indicated, and the exercise price is Y2,456 compared with a stock market price of Y2,390.

The final terms of the $50m coovertible for Toyo Menka Kaisha were also fixed, by Nomura Internatiooal. The coupoo is as indicated at 3¾ per ceot, and the cooversion price is Y238 a sbare, 7.7 per cent above the stock market price.

In the European currency unit market, Swiss Bank Corporatioo International increased the issue for the EIB from Ecu 100m to Ecu 130m. It cootinues to be hid at par despite the rise.

Another Ecu issue appeared, lead managed by Banque Gènèrale du Luxembourg. This Ecu 25m deal for CECA, the European Coal and Steel Community, is aimed at Benelux investors and has an all-Luxembourg group.

The 10-year issue has a 10 per ceot coupoo and par issue price. The bonds were quoted around the par level, well inside the 2 per cent total fees.

All was quiet yesterday in the continental European markets. Swiss franc boods were unchanged to ¼ point lower, while D-Mark bonds were also as much as ¼ point down in low turnover.

In the Euroyen market, Nomura International launched a Y25bn issue for United Technologies, a frequent visitor to the Eurobond market recently. The Y25bo issue has a seven-year life, with payment deferred until January 1985, and a 6¾ per cent coupon with a par issue price.

Company Notices

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 11.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
E.I.B. 12½ 90	100	102¾	103¼	−0⅛	−0⅛	11.68
E.I.B. 12⅞ 94	100	104⅛	104¾	0	−0⅞	12.02
E.I.B. 13 96	200	103¼	103¾	+0⅛	−0⅞	12.39
Ex-Im Bk Japan 13¼ 91	75	110¼	110¾	+0⅛	+1⅛	10.88
Export Dev Corp 12 89	100	101½	102	+0½	0	11.48
Exxon Capital Corp 0 2004	1800	11⅞	12⅛	0	0	11.23
Florida Fed Sav 11⅞ 89	100	102	102½	+0¼	−0⅛	11.05
IBM Credit Corp 11¾ 01	200	102⅜	102⅞	−0⅛	−0⅞	10.58
Indust Bk Japan 11½ 89	100	103½	104	0	−1	11.78
Indust Bk Japan 13⅞ 01	125	109	109½	+0½	−0¼	11.73
Int-Am Dev Bk 12⅞ 91	100	102½	102⅝	+0⅛	+0⅛	12.21
Japan Air Lines 12½ 94	70	105	105½	−0½	−0⅜	11.85
Japan Air Lines 13⅛ 94	100	109	109½	−0⅜	−1	11.60
L.T.C.B. 12⅞ 01	100	103⅜	102⅞	+0⅛	−0¼	12.08
Mellon Bank 13 87	100	102½	102⅝	+0⅛	−0⅜	11.85
Merrill Lynch 12¾ 89	100	101	101½	+0⅛	−0⅛	12.36
Minnesota 11½ 87	100	100⅜	100⅞	+0⅛	−0⅛	11.20
Mitsubishi Corp 13¼ 89	100	106½	106¾	+0⅛	+0⅜	11.33
Montage 13⅛ 01	100	104½	105	0	−0⅜	12.14
Montreal, City 12½ 01	70	101⅜	101⅞	+0¼	+0½	12.08
Morgan Guaranty 12¼ 89	150	101	101½	+0⅛	−0¼	11.82
Morgan Guaranty 11⅞ 89	150	101⅛	101⅝	+0⅛	−0⅛	11.96
Newfoundland Prov 13 01	75	†104	106	0	+1¼	11.88
Nippon Cred Bk 13⅞ 89	100	105½	106	+0⅜	0	12.11
Nippon Tele 11⅞ 99	100	101⅞	102⅜	+0⅛	−0⅜	10.88
Nova Scotia Pro 11¾ 01	100	99½	00	−0⅛	−0⅜	12.83
Nth America 12⅞ 01	100	102⅜	102⅞	0	+0⅛	11.26
Penney J.C. 12¾ 01	100	102⅝	103⅛	+0¼	−0¼	12.05
Quebec Hydro 11½ 92	100	†100⅞	101⅜	0	+0⅞	11.28
Quebec Province 11½ 94	150	100⅜	100⅞	+0½	−0⅜	12.12
Ralston Purina 12⅜ 89	100	103¼	103¾	+0⅛	+0⅛	11.74
Royal Bk of Can 11½ 89	100	98½	99	+0¼	+0½	11.87
Saskatchewan 11 1/8 89	100	100½	101	+0¼	+0¼	11.85
Sears O/S Fin 11⅝ 01	150	99½	100	+0⅛	−0⅛	11.67
Sec Pac O/S Fin 11 92	100	99	99½	0	−0⅜	12.14
Statoil 12 89	100	101¾	102¼	+0⅛	−0⅛	11.20
Statoil 13½ 89	100	107¼	107¾	+0¼	−0⅛	11.32
Sumitomo Fin 12⅝ 01	150	102¼	102¾	+0⅛	−0⅜	12.13
Sweden Kingdom 12⅝ 89	200	102¼	102¾	0	−0⅜	11.57
Texaco Capital 11⅞ 87	300	102½	103	+0⅛	−0⅛	11.58
Texaco Capital 13½ 89	200	105¼	105¾	+0⅛	−0⅛	11.84
Tokyo Met 12⅞ 94	50	105⅜	105⅞	+0⅛	−0⅛	11.93
Toronto Dom Bk 12½ 89	100	101½	102½	+0⅛	+0¼	11.73
Walt Disney Pro 12½ 87	150	101⅛	102⅜	+0⅛	−0½	11.52
Weyerhaeuser 12¼ 87	150	100⅞	101⅛	+0⅛	−0⅛	11.72
World Bank 12¼ 94	150	101¼	101⅝	0	0	12.00
World Bank 12⅞ 94	200	104	104½	+0⅛	−0⅜	12.09
Yasuda 1st&Fin 12⅝ 89	100	100¼	100¾	−0¼	−0½	12.11

Average price change On day +0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7½ 94	125	*101⅝	102⅛	+0½	+0½	7.18
Amca Int'l 8¼ 91	100	*102⅞	103⅝	−0⅛	−0⅛	7.63
Asian Dev Bank 8 94	200	*102¾	103½	0	+0⅞	7.53
Austria,Republic 7⅝ 94	200	*102½	103¼	+0⅛	+1	7.18
Baxter Travenol 1¼ 94	200	*99⅞	100⅝	0	+0⅛	7.21
Credit National 8⅛ 94	200	*103½	104¼	0	+0⅜	7.52
Degussa Int Fin 7½ 94	100	*104	104¾	0	−0⅞	6.84
E.E.C. 8 92	200	*103⅝	104⅜	0	+0½	7.26
E.I.B. 8 01	250	*104⅞	105⅝	+0⅛	+1⅛	7.82
Excon 8 92	150	*100½	101¼	0	+0⅛	7.83
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bk 7⅜ 94	15	100⅛	100⅝	0	−0⅛	7.29

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.